

OECD  
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

SPAIN

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

MARCH 1973

## BASIC STATISTICS OF SPAIN

### THE LAND

Area (1 000 sq. km)	504.8	Major cities, 31.12.70 census, thousands	
Agricultural area (1 000 sq. km)	342.6	inhabitants :	
		Madrid	3 146
		Barcelona	1 745
		Sevilla	653
		Valencia	548

### THE PEOPLE

Population, 1.7.71, thousands	34 003	Civilian employment, 1971, thousands:	12 442
Number of inhabitants per sq. km	67	Agriculture	3 553
Net natural increase (1971, thousands)	363	Industry	4 665
Net migration (1970, thousands)	-18	of which: Construction	1 026
		Services	4 224

### PRODUCTION

Gross national product, 1971 (billion pesetas)	2 541	Gross domestic product at factor cost by origin in 1971 (percentages):	
GNP per head, 1971 (U.S. \$)	1 070	Agriculture	14
Net fixed investment (1971): per cent of GNP	20	Industry and construction	34
per head (U.S. \$)	209	Services	52

### THE GOVERNMENT

Public consumption in 1971 (percentage of GNP)	11	Fiscal revenue of general government in 1971 (percentage of GNP)	14
Public investment in 1970 (percentage of total investment)	13	Internal public debt (percentage of general government current revenue in 1970)	70
Public investment including public enterprises in 1969 (percentage of total investment)	29		

### FOREIGN TRADE

Exports of goods and services, 1971 (billion U.S. \$)	6.0	Imports of goods and services, 1971 (billion U.S. \$)	5.9
Exports of goods and services as a percentage of GNP (average 1970-71)	16	Imports of goods and services as a percentage of GNP (average 1970-71)	17
Exports of goods as a percentage of total exports (average 1970-71)	49	Imports (average 1970-71), percentage of imports of goods:	
Exports (average 1970-71), percentage of exports of goods:		Foodstuffs	12
Foodstuffs	33	Fuel, raw materials and semifinished products	56
Raw materials and semifinished products	25	Capital goods	25
Capital goods	19	Consumers' manufactures	7
Consumers' goods	23		

### THE CURRENCY

Monetary unit: Peseta		Currency units per U.S. \$ (central rate as from 13.2.1973):	58.0294
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NOTE An international comparison of certain basic statistics is given in an annex table.

OECD ECONOMIC SURVEYS

# SPAIN

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

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\*

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The annual review of Spain  
by the OECD Economic and Development  
Review Committee took place on 12th March, 1973.  
The present Survey has been updated subsequently.

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## INTRODUCTION

1972 was marked by a vigorous recovery of business activity, coming after more than a year of modest growth. Expansionary policy measures succeeded in bringing about a strong upswing of investment, while persistently booming exports provided additional stimulus. But price increases remained very appreciable. The confirmation of a broadly based recovery and concern about the price situation have led the authorities to moderate progressively the posture of demand management. In addition, they took in October a set of anti-inflationary measures, including temporary price controls and some easing of import restrictions.

The more remarkable feature of last year's developments, however, was the persistence of a substantial external surplus on current account in spite of the strong expansion of domestic demand. In fact, an important transformation in the balance of payments has been taking place in the last few years. From a regular deficit country, Spain has now come to have one of the world's highest current surpluses in relation to GNP. As net capital inflows have remained substantial, there has been an important accumulation of foreign reserves, which reached the \$5 billion mark at the end of 1972. Part I of the present Survey examines the main causes of this important change in the balance of payments situation and discusses the scope and type of policy action that may be envisaged to correct the external disequilibrium.

The Survey proceeds to review, in Part II, the origins and nature of the rapid increase in prices, the evolution of monetary and fiscal policies and the recent set of anti-inflationary measures. Part III discusses short-term prospects. An autonomous deceleration of private investment is probable in 1973, but adjustments to demand management could provide the necessary stimulus if, as a result, the rate of growth would tend to slow down unduly. The current balance of payments is likely to remain in considerable surplus, which will probably lead to a further sizeable increase in foreign reserves. The last section of the Survey presents certain policy conclusions that may be drawn from the analysis.

### I THE TURN-AROUND OF THE CURRENT BALANCE OF PAYMENTS

#### *Vigorous upswing in 1972 with persistent current surplus*

The cyclical upswing which started in late 1971 gained strength in the course of last year, sustained by buoyant foreign demand and a marked response of domestic demand to expansionary policies. According to preliminary official estimates, the volume increase of GNP between 1971 and 1972 was around 7½ per cent, compared with only 4½ per cent in

the previous year and a medium-term average rate of some 6 $\frac{3}{4}$  per cent. 1972 witnessed a real investment boom. Business investment in plant and equipment was the leading component in the recovery of domestic demand with an estimated yearly gain of 15 per cent in real terms in industrial investment, despite the probable existence at the end of 1971 of appreciable spare plant capacity built up during two years of below-capacity growth. The ample availability of credit, improved business expectations and a favourable shift in the price/cost relationship for enterprises were partly responsible. But the main factor that induced industrialists to abridge the time-lag between the growth of output and investment decisions was probably the 7 per cent tax credit on business investment established in December 1971<sup>1</sup>.

Statistics of investment in construction are, as repeatedly stated in these Surveys, particularly unreliable. Judging, however, by the scanty indicators available, both industrial building and public works<sup>2</sup> marked sizeable gains, whereas housebuilding continued to give no clear signs of recovery from a two-year downswing. The sharp increase of industrial output has most probably led to considerable stockbuilding in raw materials, semi-manufactures and work in progress, helped by the improved financial situation of enterprises. There are practically no statistics in this area, but the upsurge of imports after their earlier stagnation provides clear evidence. Total stock formation may have contributed somewhere between  $\frac{1}{2}$  and 1 per cent of GNP to the growth of overall demand.

All in all, gross asset formation rose last year by some 16 per cent in real terms with marked multiplier effects on employment and incomes. The tightening labour market conditions (non-farm unemployment, seasonally adjusted, fell steadily in the course of 1972) and the delayed effect on wages of the strong price rise of 1971 resulted in considerable increases of hourly earnings in the non-agricultural private sector. Despite an increase in the cost of living by over 8 per cent (discussed in Part II of this Survey) the growth of consumers' expenditure in real terms accelerated to about 6 $\frac{1}{2}$  per cent. It continued, nevertheless, to lag behind the growth of real output, according to a trend in the allocation of resources perceptible in recent years, away from private consumption and housing investment. At constant 1964 prices, these amounted to 69 per cent of GNP in 1970-72, compared with 73 per cent in 1964-66.

The most significant feature of the evolution of the economy in 1972 was without doubt that, although total domestic demand rose by a hefty 8 $\frac{1}{2}$  per cent in volume, the current external surplus decreased only slightly and was equivalent to about 1.4 per cent of GNP. In this respect, the boom of 1972 differs markedly from that of 1969, when the rate of growth was roughly the same but the current balance worsened markedly to a deficit of about \$400 million. Partly as a result, price developments were also very different: in 1969, the GNP deflator showed one of the smallest

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1 For equipment ordered before June 30th, 1972, and delivered before January 1974. Cf. the 1972 OECD Survey of Spain, page 24.

2 The 1972 Budget foresaw an increase in central government investment expenditure of some 18 per cent (in value). This seems to have been realised, to judge by the increase in spending commitments (pagos ordenados) on capital account of about 20 per cent in January-December over a year earlier.



increases on record, 3½ per cent; in 1972, its increase was among the highest, more than 8 per cent. The pressure of demand on resources was, however, partly offset in 1972 by a small deterioration of the external balance on goods and services in real terms, due to the strong upsurge of imports. Despite a continuing rapid increase of non-food exports (which account today for three-quarters of the total) the trade deficit widened. But this was largely offset by gains in net invisibles. With a current surplus of the order of \$650 million<sup>1</sup> and continuing important capital inflows, official reserves showed an annual increase of some \$1.8 billion<sup>2</sup> and stood at \$5 billion at the end of the year.

### *Underlying trends of the balance of payments*

The outcome of current external transactions in 1972 seems to confirm the judgment made in last year's Survey<sup>3</sup> that an important transformation of the balance of payments has been taking place in the last few years. In the mid-sixties Spain had one of the highest current deficits among Member countries in relation to GNP (about 2 per cent). On the basis of average figures for 1971 and 1972<sup>4</sup> she has scored one of the largest current surpluses in absolute terms (\$750 million). As a percentage of GNP (nearly 2 per cent) the Spanish surplus in this period was exceeded only by those of Japan, Italy and the BLEU. The relatively ample cyclical fluctuations of the last ten years (two recessionary periods and three phases of upswing including the present one) have tended to conceal the underlying development of the current account. An attempt has been made to estimate the underlying trend, adjusting for certain cyclical and special factors, the results of which are shown in Diagram 8<sup>5</sup>. Making due allowance for the

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1 The new exchange rates resulting from the realignment of December 1971 were not applied in Spanish statistics of trade and invisibles until May 1972. In view of the average effective revaluation of the peseta by about 2 per cent, the statistics for the early months of 1972, and for the year as a whole, slightly under-estimate the surplus in terms of dollars and over-estimate it in terms of pesetas.

2 Including an SDR allocation of \$ 45 million and \$ 147 million resulting from revaluating foreign assets at the new central rates as from June 1972.

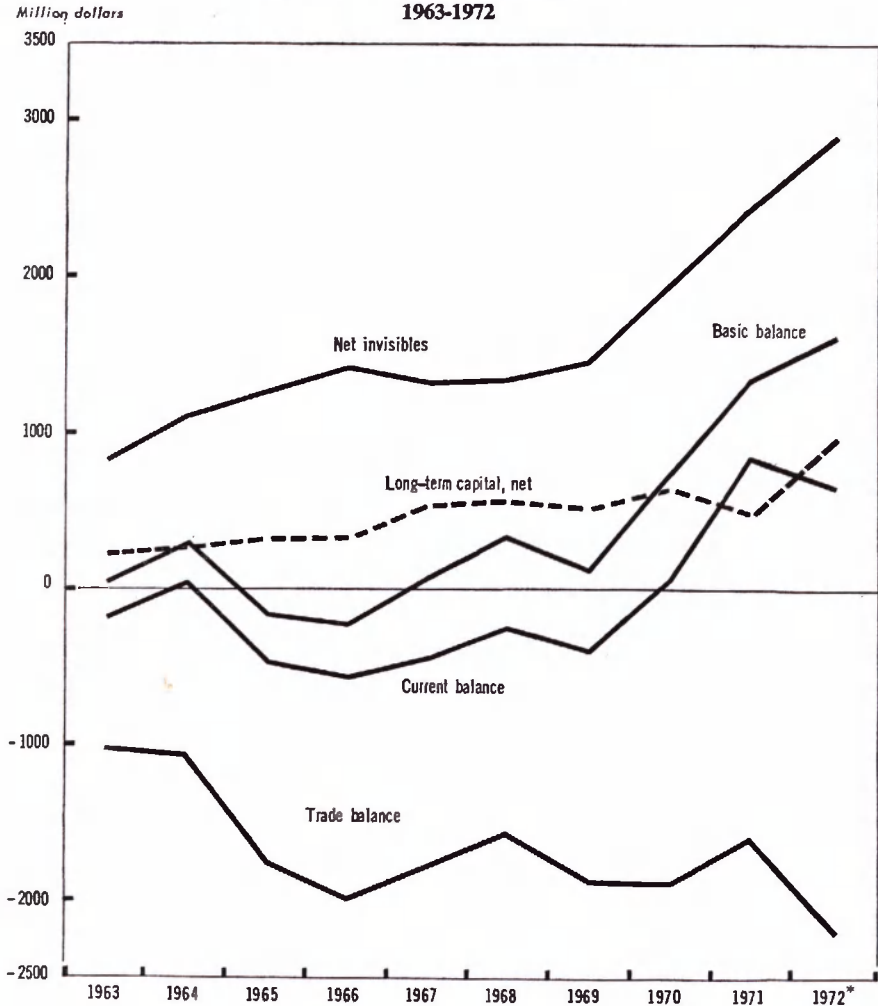
3 OECD Survey of Spain, January 1972, pp. 28-33 and pp. 43-44. See also OECD Economic Outlook No 12, December 1972, pp. 69-70.

4 The data for 1972 are still provisional.

5 The adjustment of the current balance has been obtained through a simple process of interpolation. The values of the logarithmic trends (1963-1973) for the following components have been used: (a) non-food imports and services linked thereto (b) food imports and services linked thereto (c) imports of other services (d) food exports (e) non-food exports (f) exports of services (g) private transfers, net. Travel earnings and workers' remittances have also been adjusted on an ad hoc basis in 1967 (German recession), 1968 (French strikes) and 1970 (disguised capital movements). The adjustment through trend values is only approximate, since it will tend to offset both cyclical and non-cyclical disturbances. The correction for demand pressures would require some knowledge of short-run capacity growth. The calculation of a potential output for Spain is, however, difficult because of the absence of an estimate of the capital stock and because of the unsatisfactory state of labour force statistics. The use of a simple trend adjustment is, therefore, the most practicable alternative, even if it implies a certain under-estimation of GNP capacity growth. Ideally, the current balance should be adjusted for changes in *relative* demand pressures, i.e. for cyclical fluctuations both in Spain and in her principal export markets. The OECD Secretariat has been working in this field during the last two years, but the estimates available so far concern mainly the larger Member countries and are still only tentative.

difficulties of such estimates (both methodological and statistical) there is no reasonable doubt about the basic fact that Spain's current account position has become steadily stronger over the last few years.

Diagram 1 Balance of Payments Trends  
1963-1972



\* Preliminary.

Sources: Balanza de Pagos - Ministry of Commerce.

The improvement of the current account was accompanied by an increase in net capital inflows. Spain has for a long time been an importer of capital, but net inward movements rose considerably, to an average of

*Spain*

**Table 1 Changes in the Basic Underlying Trends of the Economy**

(a) DEMAND AND OUTPUT  
*Annual changes in % (volume)*

	1963- 1967 <sup>1</sup>	1968- 1972	1970	1971	1972 <sup>2</sup>
Consumers' expenditure	7.2	5.0	3.9	3.4	6.5
Public consumption	5.4	5.9	9.3	6.4	4½
Gross fixed investment	10.9	5.9	3.8	-1.9	13½
<i>of which</i>					
Plant and equipment	12.9	7.1	4.9	-2.7	17
Final domestic demand	7.8	5.3	4.3	2.3	7½
plus change in stockbuilding <sup>3</sup>	—	0.3	-0.1	0.1	½
plus change in foreign balance <sup>3</sup>	-1.0	0.7	1.9	2.2	-¾
GNP	6.9	6.3	6.0	4.6	7½
GNP deflator	7.5	5.9	5.7	7.8	8

1 Devaluation of the peseta by 14.3 per cent in end-1967.

2 In per cent of GNP of the previous year.

3 Preliminary.

Sources: INE.

(b) CURRENT EXTERNAL TRANSACTIONS  
*Yearly averages, million \$*

	1963- 1967 <sup>1</sup>	1968- 1972	1970	1971	1972 <sup>2</sup>
Exports, fob	1 107	2 605	2 457	2 971	3 830
Imports, fob	2 630	4 450	4 325	4 548	6 057
Trade balance	-1 523	-1 845	-1 874	-1 599	-2 227
(Trade balance in percentage of GNP)	(-7.1)	(-5.6)	(-5.8)	(-4.4)	(-4.8)
Services and transfers, net	1 191	2 057	1 952	2 455	2 872
<i>of which</i>					
Travel earnings	1 041	1 772	1 681	2 054	
Private transfers, net	357	676	659	772	
Current balance	-332	212	78	856	645 <sup>3</sup>
(Current balance in percentage of GNP)	(-1.5)	(0.6)	(0.2)	(2.4)	(1.4)

Trade (customs)

*Annual percentage changes, volume*

	1963- 1967 <sup>1</sup>	1968- 1972	1970	1971	1972
Exports	10.4	19.8	15.6	18.2	16.0
Imports	16.4	9.4	4.1	-1.7	22.0

1 Devaluation of the peseta by 14.3 % in end-1967.

2 Preliminary.

3 SDRs 600 million.

Sources: Balanza de Pagos de Espana - 1971 - Ministerio de Comercio, Main Economic Indicators and Secretariat estimates.

Table 1 (continued) Changes in the Basic Underlying Trends of the Economy  
(c) NET CAPITAL INFLOWS  
\$ Million

	Annual averages		1970	1971	1972 <sup>1</sup> (10 months)
	1963-67	1968-71			
Direct investment	108.7	171.2	178.3	176.2	168.7
Portfolio investment	63.3	14.2	-12.3	25.1	2.3
Real estate purchases	45.8	150.5	143.7	260.8	318.1
Business loans	69.6	206.7	332.4	207.9	} 154.8
Other, including public capital	45.0	21.1	27.0	-171.1	
TOTAL LONG TERM	332.4	563.7	669.1	498.9	643.9
Short-term capital, errors and omissions	-5.0	-160.8	65.3	-97.8	47.2
TOTAL NON-MONETARY CAPITAL	327.4	402.9	734.4	401.1	691.1

1 On a settlement basis.

Sources: Ministry of Commerce - Balanza de Pagos de Espana 1971, and Foreign Exchange Office (IEME).

about \$0.5 billion in the last five years. Leaving aside problems of statistical recording<sup>1</sup> and temporary fluctuations, it is clear that some permanent factors lie behind this trend. Direct investment and purchases of land and buildings accounted for some two thirds of net long-term inflows. Furthermore, Spanish firms have tended to borrow increasing amounts abroad even in periods of monetary ease at home, due probably to deficiencies of the domestic capital market.

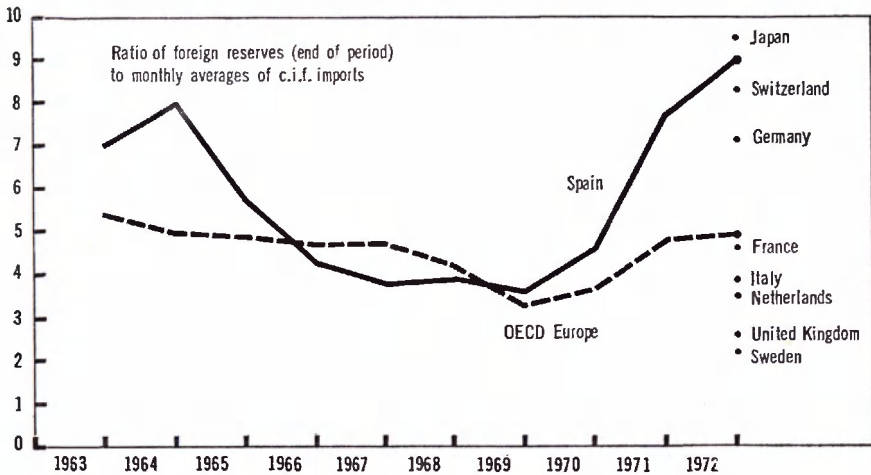
The combined effect of these trends in current and capital transactions has been a substantial accumulation of foreign exchange reserves, which nearly quadrupled in the course of the last three years. The level of official reserves at the end of 1972 (\$5 billion) corresponded to more than nine months of imports (cif), one of the highest ratios among Member countries. Since 1970, however, net foreign liabilities of commercial banks have been steadily increasing. They had reached about \$450 million by the end of last year.

Three factors seem to have contributed to the underlying improvement in the current balance. The first, and perhaps the more unexpected, was the persistent fast progress in net invisible receipts; the second was the industrial export boom, to a certain extent an inevitable catching-up effect after a long period of under-utilization of resources for different reasons. The effects of these two factors were reinforced by a marked deceleration of imports linked to a significant slowdown of domestic demand.

1 Capital movements induced by exchange rate anticipations have partly been disguised in current invisible transactions. There have been considerable outflows of this character in 1969 and inflows in subsequent years. Official balance of payments figures include certain adjustments, but the circumstances of recent years have greatly increased the difficulties of establishing accurate statistics.

## Spain

Diagram 2 Trends in the Accumulation of Foreign Exchange Reserves: Spain and Selected Countries



Sources: Main Economic Indicators and Secretariat estimates.

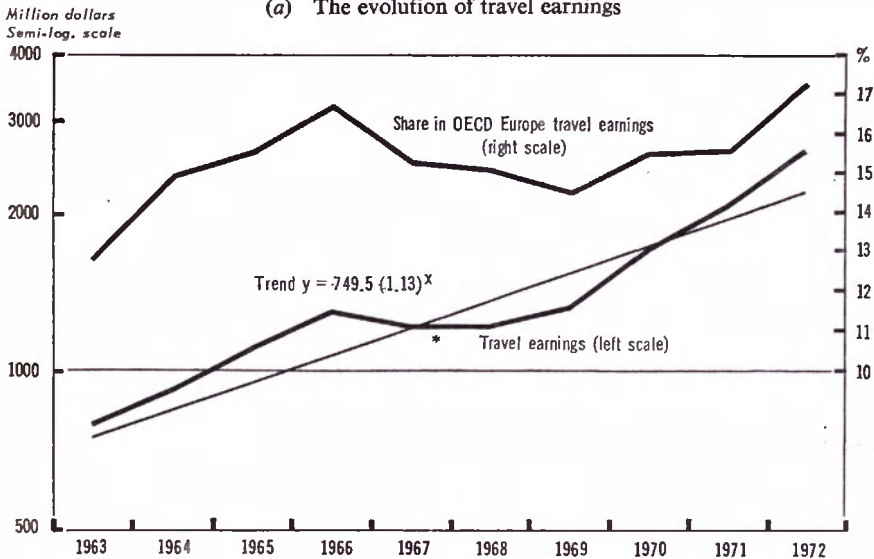
### *Steady gains in invisibles*

It was mainly the progress of travel earnings and workers' remittances which underpinned the good performance of invisibles. As shown in Table 1 (b) net invisible receipts in 1968-1972 considerably exceeded the trade deficit, whereas they fell short of it in the previous five years. It is indeed surprising that, despite the relatively high level attained already by 1967, the underlying trend of invisible earnings should not have decelerated following the experience of other countries in this field. With regard to earnings from tourism, which rose on average by 13 per cent per year in 1963-1972 and doubled to \$2.6 billion in the last three years, three main factors may explain this development. First, the continuing rise in tourism infrastructure (the number of hotel beds rose by 12 per cent per year in 1968-1972) partly financed by foreign capital. Probably most, if not all, of the 12 billion pesetas of capital inflows on average in the last three years for land purchases was finally invested in tourism activities. The big increase in air transport capacity in recent years, and the fall in air fares relative to other prices have put the Spanish touristic services within relatively easy access<sup>1</sup> (maximum of 2½ to 3 hours flyingtime) of a market of 250 million people in Europe who account for some 90 per cent of tourism earnings. Last but not least, the growing deterioration of Spanish prices of tourism goods and services vis-à-vis other European countries—probably responsible for a temporary weakening of receipts and a corres-

<sup>1</sup> The number of travellers arriving by air to Spain trebled to nearly 7 million in the five years to 1971.

ponding decline in the share of total OECD tourism earnings—was arrested after 1967, partly because of the peseta devaluation, but also because in more recent years Spain's price performance was not significantly different from that of other European countries. As a result the advantage in Spanish prices for goods and services bought by tourists (mainly food, hotel and entertaining accounting for some 80 per cent of total expenditure) probably still remained considerable. A comparison attempted between Spain and EEC countries shows a difference of the order of 50 per cent on average in favour of Spain for 1970 (see Diagram 3). This partly explains the relatively low average expenditure per tourist (\$8.5 per person per day in 1970) which may also be due to the fact that the expansion of tourism in Spain has been directed to the attraction of an increasing number of visitors (they rose on average by 15 per cent year in 1961-1971) and towards relatively low-priced tourism. This policy succeeded in raising gross exchange earnings substantially, but must have entailed considerable and rising hidden costs due to the use of general infra-structure by foreign visitors (in 1972 their number reached 33 million, as many as nationals) and to the increased pollution which results from the addition of such a high number of temporary residents in the territory. Spain has been able to follow this policy up to now because she combines a big area (the second country in Europe and that with the longest coast in a temperate climate)

Diagram 3 Travel Earnings:  
Their Evolution and Some Explanatory Factors  
(a) The evolution of travel earnings

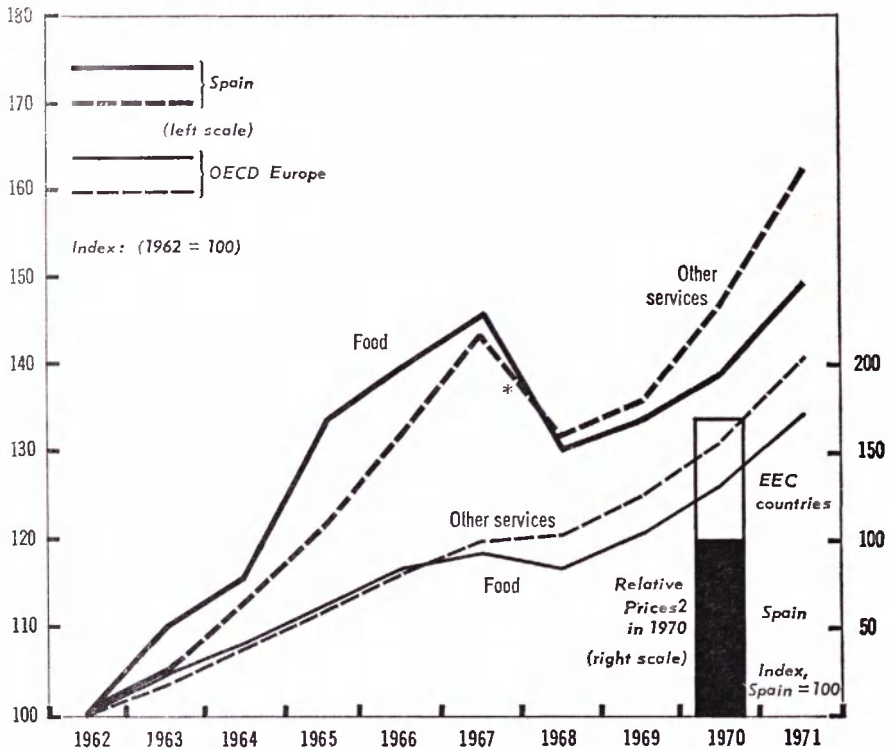


\* Devaluation of the peseta by 14.3 per cent in November 1967.

Sources: Tourism in OECD Member Countries OECD 1971, Balanza de Pagos - Ministry of Commerce, and Secretariat estimates.

## Spain

**Diagram 3 (continued) Travel Earnings: Their Evolution and Some Explanatory Factors**  
**(b) A comparative evolution of the prices of tourist goods and services<sup>1</sup>**



\* Devaluation of the peseta by 14.3 per cent in November 1967.

1 The prices shown in the diagram for Spain and OECD Europe are national accounts deflators of "food" and "other services", in US dollars.

2 Weighted average of consumer prices for food, hotel rooms and entertainment. The data for EEC countries have been reweighted by the shares of the expenditures of EEC countries in Spanish earnings.

Sources: Consumer prices in the Common Market and in Spain (November 1970), INE 1972, OECD National Accounts 1960-1970, and Secretariat estimates.

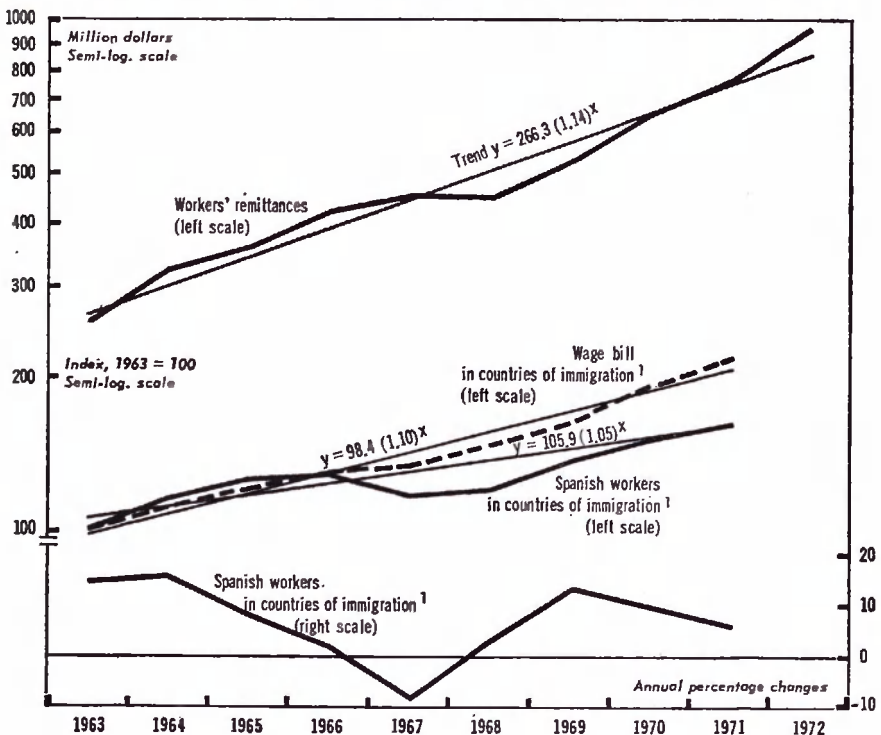
with low density of population. The scope for further expansion along these lines will tend, however, to diminish because of purely physical constraints, so that Spain will have to rely increasingly on higher average expenditure per visitor.

It is also remarkable that the rapid rate of economic growth during the 1960's did not have any significant dampening effect on the emigration of the labour force, mainly to Europe. On the average, in the ten years to 1971 some 80 000 workers left the country every year<sup>1</sup>, 80 per cent of

1 Officially assisted through the Institute of Emigration. The actual number of emigrants may have been higher, especially up to the late sixties.

whom went to France, Germany and Switzerland. According to statistics of the main recipient countries, this movement has entailed an average net outflow of some 45 to 50 thousand persons, compared with a probable annual increase of the labour force by some 100 000<sup>1</sup>. The yearly outflow has varied, reflecting mainly the cyclical situation of the countries of destination, but on the whole it can be estimated that the number of Spanish workers in Europe rose by 5 per cent year on average. As in the same period compensation of employees in the countries of immigration rose at an annual rate (in dollars) of 10 per cent, private transfers could progress by 14 per cent year.

Diagram 4 Some Factors Behind the Development of Workers' Remittances



1 France, Germany, Switzerland.

Sources: Balanza de Pagos - Ministry of Commerce, OECD National Accounts, various national sources and Secretariat estimates.

1 However, the participation rate of the labour force in the population of working age has shown during the 1960's a remarkable stability. This seems difficult to explain, especially when taking into account other factors (the agricultural exodus, increased schooling, etc.) making also for a fall in the participation rate.



*Spain*

Among the economic and social causes of these post-war migratory movements two were predominant, apart, of course, from the proximity of the countries of destination. The first was the lack of job opportunities outside agriculture: fixed investment, which had grown strongly in the first half of the 60's, rose on average by only 6 per cent in volume between 1967 and 1972 (and productive investment by 7 per cent) a rate clearly inadequate in view of the country's employment needs. It is, indeed, paradoxical that some part of the additional capital stock needed to employ the Spanish migrants abroad has in the last three years been financed by the transfer of real resources abroad through a current account surplus corresponding to 1½ per cent of GNP on average. To what extent the difference between Spanish and foreign real wages has been an additional cause of emigration is difficult to say. But despite the fast increase of wage rates in Spain in the last ten years (by 15 per cent on average) the difference remains substantial. In 1971, average hourly earnings in the private sector outside agriculture were 46 pesetas, with a fifth of total employed earning some 24 pesetas, equivalent to 2 FF and compared to a French minimum hourly rate of 3.76 francs.

Table 2 Some Indicators of the Evolution of Freights

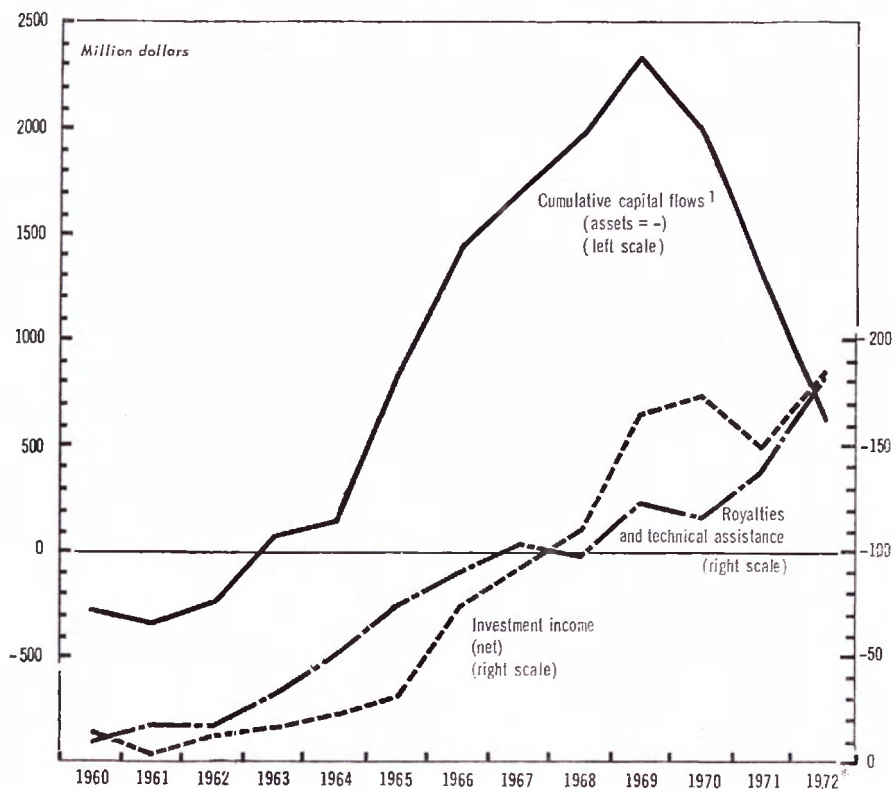
	1962	1971	Annual change 1971/62 in %
<i>Freight (US \$ million)</i>			
Payments	79.5	268.2	16.2
Receipts	35.2	103.6	12.6
Balance	-44.4	-164.6	..
<i>Merchant fleet (million gross tons)</i>	2.0	3.9	7.8
<i>Per cent of foreign sea trade carried in Spanish ships</i>			
Incomings	42.7	40.9 <sup>1</sup>	..
Outgoings	13.6	16.9 <sup>1</sup>	..

<sup>1</sup> 1969-1970.

Sources: Balanza de Pagos de Espana - 1971 - Ministerio de Comercio, INE Statistical Yearbook and OECD Maritime Transport, 1962 and 1971.

The strong and persistent rise in net invisibles was also helped by some deceleration in payments. Despite the substantial increase in total trade in the ten years to 1971—from \$2 billion to \$7.5 billion—the freight deficit rose from \$50 million to only \$150 million. This was mainly due to the considerable increase in the tonnage of the merchant fleet (8 per cent per year), the second fastest percentage increase among OECD maritime countries after Japan. Payments for investment income which had risen strongly in the decade up to 1969, in line with net capital inflows, have levelled off as the current balance shifted into surplus. The only important

Diagram 5 Investment Income and Royalties



1 Defined as the difference between the current balance and the change in non-interest bearing reserves (i.e. gold and the reserve position in the IMF).

\* Preliminary

Sources: Balanza de Pagos - Ministry of Commerce, and Secretariat estimates.

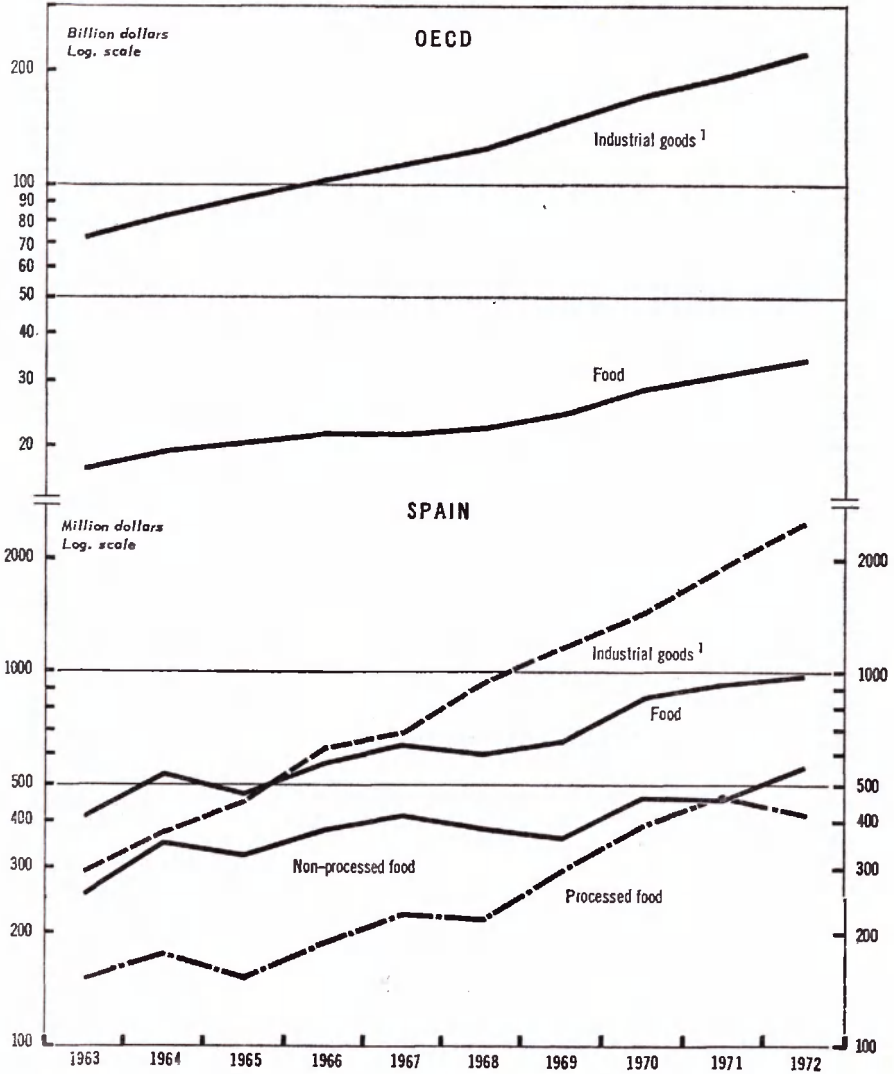
invisible payments which have been accelerating have been for royalties and technical assistance, which reflect the modernization effort of the economy and the relatively fast rate of growth. By 1971, total payments for investment income and technical know-how amounted to some \$400 million, implying that about 1 per cent of GNP was transferred abroad to remunerate the use of foreign capital (apart, of course, from re-invested profits) and technology. This seems a reasonable figure, given the stage of industrial development of Spain, when compared with other countries of similar income per capita. For instance, Italy in 1962-63 transferred for the same reasons 0.75 per cent of GNP. Spanish travel expenditure abroad has also accelerated sharply in recent years (its elasticity with respect to private consumption rose from 1 in the first half of the sixties to 1.4 in the last four years) but represents still a small share both of private consumption (1 per cent) and of invisible payments (\$180 million).

Spain

The boom of industrial exports

The only really new, but up to a certain point not wholly unexpected, development in external transactions since the middle sixties has been the spectacular progress of non-food exports. In 1963, after four years of

Diagram 6 The Growth and Pattern of Spanish and OECD Exports Compared



1 Total exports minus agricultural and mining products.

Sources: OECD Foreign Trade Statistics, and Secretariat estimates.

**Table 3 Export Performance**  
**(a) MARKET GAINS<sup>1</sup> 1964-1971 BY MAIN MARKETS AND COMMODITY GROUPS**  
*In per cent*

Markets	Spanish exports in 1964		Growth of markets			Growth of exports			Market gains		
	Food <sup>2</sup>	Manu- factures <sup>2</sup>	Total	Food <sup>2</sup>	Manu- factures <sup>2</sup>	Total	Food <sup>2</sup>	Manu- factures <sup>2</sup>	Total	Food <sup>2</sup>	Manu- factures <sup>2</sup>
	Million dollars										
EEC	209	89	116	122	149	194	51	566	78	-71	417
France	72	21	120	129	169	181	49	703	60	-80	535
Germany	85	26	116	112	155	175	28	729	59	-83	574
Italy	15	14	111	161	140	263	138	350	152	-22	210
EFTA	142	68	51	36	86	77	23	222	35	-13	136
United Kingdom	89	38	41	24	82	81	30	196	40	5	114
North America	37	51	129	115	158	368	160	630	239	44	471
Non-OECD	48	124	86	66	99	293	101	397	206	35	298
<b>World</b>	<b>447</b>	<b>357</b>	<b>96</b>	<b>88</b>	<b>121</b>	<b>210</b>	<b>63</b>	<b>432</b>	<b>115</b>	<b>-24</b>	<b>312</b>

<sup>1</sup> Percentage market gain is defined as the difference between the rate of growth of Spanish exports to a given market and the rate of growth of total OECD exports to that market. The calculations of market growth make combined use of twenty-three geographical markets and ten commodity markets.

<sup>2</sup> SITC positions 0 + 1.

<sup>3</sup> Total minus food minus raw materials (SITC 2 + 3 + 4 — 243 — 25 — 266 — 332).

Sources: OECD Foreign Trade Statistics and Secretariat estimates.

**Table 3 Export Performance**

(b) YEARLY EVOLUTION OF MARKET GAINS OR LOSSES<sup>1</sup> BY MAIN MARKETS, 1964-1971

*In per cent*

	1965		1966		1967		1968		1969		1970		1971		Average 1964-1971	
	Tot.	Man.	Tot.	Man.	Tot.	Man.	Tot.	Man.	Tot.	Man.	Tot.	Man.	Tot.	Man.	Tot.	Man.
	World	-6.9	11.9	20.6	27.5	6.7	3.5	6.0	22.2	7.1	10.5	10.3	9.1	9.5	20.7	7.6
EEC	-17.8	7.8	13.1	9.0	3.2	19.6	-9.7	10.5	10.0	9.2	25.6	30.3	16.3	35.7	5.8	17.4
EFTA	-10.8	-12.3	2.7	-3.9	0.4	3.7	20.2	50.9	-1.0	-0.4	5.1	10.0	7.4	23.5	3.4	10.2
North America	5.0	22.0	13.2	17.2	31.0	43.2	22.4	27.1	-7.3	-7.3	10.5	13.9	9.8	15.9	12.1	18.9
Non-OECD	14.0	25.7	55.0	60.8	0.5	-15.9	6.2	15.8	19.4	27.4	-3.2	-6.2	-0.2	11.7	13.1	11.9

<sup>1</sup> See footnote 1 in Table 3a.

Sources: OECD Foreign Trade Statistics and Secretariat estimates.

Tot. = Total.

Man. = Manufactures.

**Table 3 Export Performance**  
**(c) COMPARATIVE EXPORT PERFORMANCE OF SPAIN**  
**AND THE EEC COUNTRIES, 1964-1971**  
*Yearly average market gains, in per cent*

	Markets	
	World	EEC
SPAIN <sup>1</sup>	5.5	4.4
Belgium	0.3	1.1
France	1.4	3.1
Germany	1.7	1.6
Italy	2.3	3.6
Netherlands	1.9	2.2

<sup>1</sup> Average yearly market gains are not comparable with the figures shown in Table 3b because they exclude commodity markets and are based on a different regional markets breakdown.

Sources: OECD Overall Trade by Countries - Series A, and Secretariat estimates.

gradual liberalization of the economy, industrial exports accounted for just over one-third of total exports, which were mainly dependent on unprocessed agricultural produce (in particular citrus fruit, olive oil and fresh vegetables) and were, therefore, subject to wide yearly variations. Some ten years later, in 1972, industrial exports accounted for nearly three-quarters of total exports, but still for only 6 per cent of GNP, a relatively low rate when compared to an average of 16.5 per cent for OECD European countries.

Such a progress of industrial exports—on average by more than 25 per cent per year between 1963 and 1972—represented a considerable penetration of Spanish industrial sales in world markets. Table 3 shows that in the course of the seven years to 1971, the share of Spanish industrial products in world markets more than trebled. Given the still small share of Spanish exports—only 1 per cent of total OECD exports in 1971—and the limited number of products exported in important quantities, a detailed analysis of “export performance” following the constant share approach is not probably very meaningful<sup>1</sup>. At a certain level of aggregation, it can, however throw some light on important aspects of the development of exports.

It is, thus, significant to notice the considerable market loss of agricultural exports in European markets in the last seven years—especially in the EEC—which was not fully offset by important gains in the United States and in non-OECD countries. This seems to reflect the effect of the preference system of the Community for trade of agricultural produce rather than the inadequacy of Spanish supply to foreign demand or price differentials. An important change had been taking place at the same time in the structure of Spanish agricultural exports. Processed food has accounted

<sup>1</sup> For an analysis of medium-term changes in the structure of Spanish exports see the OECD Survey of Spain, 1972, pp. 31 to 33 and Statistical Annex.

for an increasing share of total food exports, which rose on average by about 9 per cent per year, whereas total agricultural output (in volume) progressed at an annual rate of 2.5 per cent<sup>1</sup>. With regard to prices, Table 4 shows that, if anything, the differential was in favour of Spain. There seems little doubt, therefore, that if unfettered by trade restrictions the growth possibilities of Spanish food exports would be rather considerable, given their competitiveness both with regard to prices and commodity composition. Contrary to agricultural export, the performance of industrial exports was more even and widespread between the different regional markets, probably because the differences in the existing obstacles for trade in this category of products were relatively unimportant given the competitiveness of Spanish products. The biggest market gain has been recorded in North America thanks mainly to the very strong rise of exports of footwear. Indeed some 20 per cent of the increase in OECD footwear sales to this market between 1964 and 1971 were Spanish products. This performance was the more significant, as Spanish products accounted for a relatively important part (14 per cent in 1971) of the American market. The export performance in the Common Market has not been very different from that in the American market but here the commodity composition does not seem to have played any significant role<sup>2</sup>. When total exports are considered, market gains in the EEC are, of course, much smaller but still considerable. Indeed, as shown in Table 3 (c) Spanish exports have for the average of 1964-1971 performed better than any of the EEC countries.

Changes in demand pressures, both in the domestic economy and abroad, may have influenced the performance of industrial exports in particular years, but apparently only very slightly<sup>3</sup>. Thus, the small gains in 1967 may be partly explained by weak economic conditions in general in Spain's main export markets, and the above-average gains in 1968 and 1971 by the slack in the domestic economy built up then<sup>4</sup>, probably helped in 1968 by the peseta devaluation. On the contrary, even years of very strong demand pressures, like 1966 and 1969, show considerable market gains, although in the latter case the devaluation may have been partly responsible. The steady underlying improvement of export performance which emerges from the yearly evolution of market shares (Table 3 (b)) suggests the existence of a more fundamental cause—the supply at competitive conditions of products for which there is foreign demand. The investment that followed the opening of the economy in 1959 has created the necessary modern plant capacity, probably as productive if not more than similar plants employing, in part, the same (Spanish) labour force abroad. (Absenteeism and labour unrest have been on the increase in

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1 The share of exports in total agricultural output has, thus, passed from some 14 per cent in 1962-1963 to nearly 20 per cent in 1970-1971.

2 Market gains are the same when using the regional market breakdown or the combined regional-commodity breakdown.

3 There is no statistically significant correlation (at a 5 per cent confidence level) between the market gains and the deviations from trend of non-agricultural output in the period under review but there are interesting signs of it in recent years.

4 See Diagram 5 of OECD Survey of Spain, 1972, page 28.

Spain in recent years but at a much smaller scale, and therefore with much smaller disruptive effects on production than in other European countries.) This re-equipment effort is enabling the Spanish economy to make good lost ground in world markets in the two previous decades and to approach the market share that corresponds to her skilled labour force and her industrial infrastructure.

The competitive advantage was provided by a substantial difference between Spanish labour costs and those of other European countries. Country comparisons in this field should be made with extreme caution, but the orders of magnitude of the differences in hourly labour costs in industry shown in Table 4 are so high as to validate such an assertion. The same table shows, however, that domestic prices in Spain for a sample of industrial products were not correspondingly lower than in the countries with which the labour cost comparison is made. As other costs are probably not very different and even the indirect tax burden is, as shown also in Table 4, lower in Spain, this probably reflects the high level of protection of the Spanish economy. Evidence of this is, of course, provided by the

Table 4 Indicators of Price and Cost Levels - Spain and EEC Countries

Country	Retail prices		Hourly earnings of workers in manufacturing (1970)	Employers' social security contributions in % of compensation of employers (1970)	Indirect taxes in % of GNP (1970)	Import duties in % of imports (average 1968-1970)
	Food (1970)	Other consumer goods (1970)				
	Spain = 100					
	(a)	(b)	(c)	(d)	(e)	(f)
SPAIN	100	100	100	12.2	9.6	14.6
Belgium	139	112	323	13.5	12.7	2.5
France	129	123	260	21.8	14.6	2.9
Germany	150	124	402	13.1	13.3	3.7
Italy	148	107	243	18.3	12.1	5.5
Netherlands	139	105	321	11.9	11.7	3.1

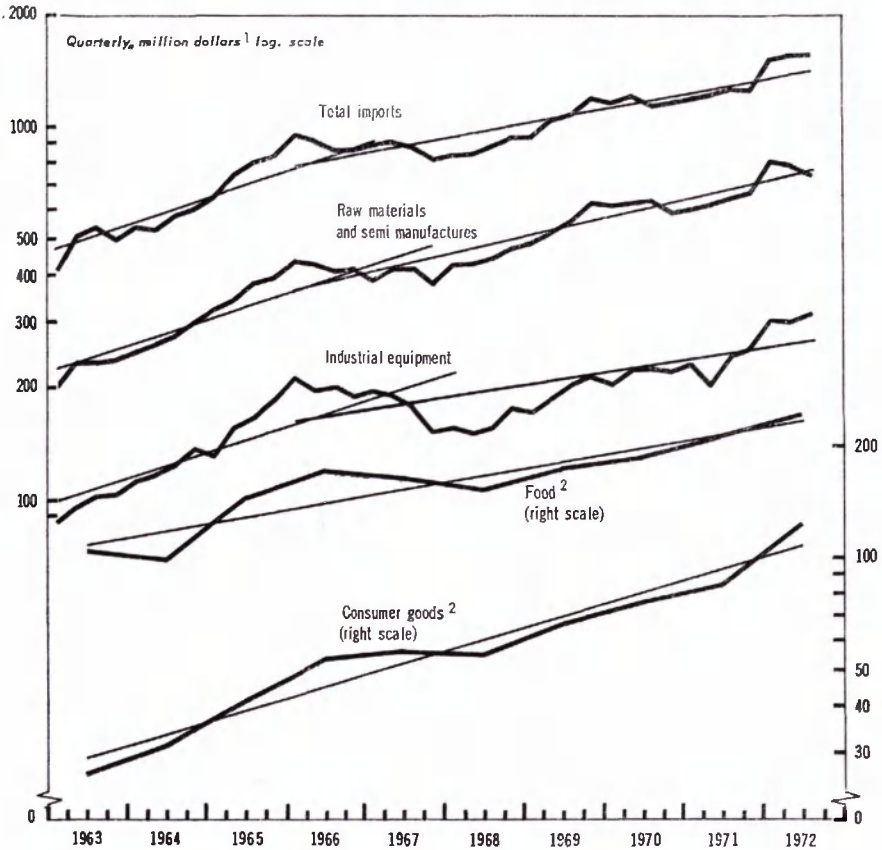
Sources and methods:

- Column (a) Average of the prices of the following items, weighted by national consumption patterns: grains, potatoes, rice, sugar, vegetables, citrus and non-citrus fruit, beef, veal, pig, poultry, eggs, milk, cheese, fish fresh and frozen, vegetable oils and fats, butter, wine. Prices in pesetas are found in *Consumer Prices in Common Market Countries and in Spain - November 1970* INE (in collaboration with the Statistical Bureau of the EEC, Madrid 1972. The weighting patterns have been calculated from *OECD Food Consumption Statistics 1960-1968*.
- Column (b) Average of the prices of all other consumer goods listed in the above mentioned *Consumer prices in Common Market countries and in Spain - November 1970*, excl. the products of public utilities and gasoline. Average prices for textile products, cars, and other products have first been arrived at through arithmetic averages of, respectively, 34, 19, and 149 items. Average prices for the three groupings have then been weighted by the share of each group in consumers' expenditure.
- Column (c) Hourly earnings in manufacturing for countries other than Spain refer to April 1970 and are taken from standardized Community statistics - see *Exposé sur l'évolution de la situation sociale dans la Communauté en 1971*, Bruxelles, February 1972. Hourly earnings in Spain have been computed from the Quarterly Survey on wages published by INE for the second quarter of 1970. Hourly earnings for operatives only have been considered. Hourly earnings for manufacturing have been arrived at weighting together hourly earnings in the relevant sub-branches of industry by the respective total compensation of employees in 1970 as given in *National Income in 1971 and its distribution*, INE 1972.
- Columns (d) (e) (f) OECD Revenue Statistics 1968-1979, OECD National Accounts 1960-1979, Main Economic Indicators and Secretariat estimates.



Spain

Diagram 7 Evolution of the Structure of Imports



**Total imports.** Trend 1963-1967:  $y = 474.2 (1.041)^x$ ; trend 1966-1972:  $y = 780 (1.024)^x$ .  
**Raw materials and semi-manufactures.** Trend 1963-1967:  $y = 226.1 (1.039)^x$ ; trend 1966-1972:  $y = 363.3 (1.029)^x$ .  
**Industrial equipment.** Trend 1963-1967:  $y = 98.7 (1.042)^x$ ; trend 1966-1972:  $y = 161.1 (1.019)^x$ .  
**Food.** Trend 1963-1972:  $y = 110.1 (108.6)^x$ .  
**Consumer goods.** Trend 1963-1972:  $y = 29.1 (1.16)^x$ .

- 1 For 1972 million SDR.
- 2 Annual figures at quarterly rates.

Sources: OECD Foreign Trade Statistics, Customs Office, and Secretariat estimates.

existence of quantitative restrictions covering some 20 per cent of non-food imports (excluding oil<sup>1</sup>) and by a high level of tariff protection as indicated by a ratio of import duties some 11 per cent higher than in other European countries. Such a wage/price relationship as has obtained in the period under review must have dampened the progress of domestic demand—the

1 In 1970; imports subject to individual licences (including some food) or to global quota.

annual rate of growth of consumers' expenditure fell from 7.2 per cent in 1963-67 to 5 per cent in the following five years—and enabled industrialists to devote a bigger part of the capacity created to foreign markets.

### *Slower growth of imports*

Partly due probably to the deceleration of domestic demand—in particular of productive investment which has a high import content, cf. Table 1—merchandise imports followed the opposite developments to those of exports. Diagram 7 shows the marked deceleration in the trend of imports as from 1965-1966, especially for industrial equipment. Indeed the elasticity of imports in volume to real output fell from 2.4 in 1963-1967 to 1.5 in 1968-1972. But, whatever its importance, the slowdown of domestic demand was probably not the only cause of the change in the trend of imports. First, the process of trade liberalization started in 1959 was practically interrupted in 1963. As of today an important part of imports of food and finished products (mainly consumer goods) is still under government control, under State trade or subject to quotas<sup>1</sup> and individual licencing. And, as mentioned earlier, Table 4 leaves no doubt as to the protection provided by customs tariffs. Import substitution may have also played an increasing role, partly related to the advance of industrialization but also perhaps reflecting the peseta devaluation.

Nevertheless, imports rose appreciably in relation to GNP in 1962-1971 and were by the end of the period much nearer the European average (18 per cent) than was the case for industrial exports. The structure of imports, however, did not change significantly. Thus, imports of capital goods continued to account for one quarter of the total. Probably the most significant change has been a decline in the share of food imports, partly offset by a rise in that of less essential consumer goods, mainly durables. As both categories of imports are under government control—being subject to quota or state trade—this development is likely to reflect mostly government policy. The development of food imports was probably one of the causes of the strong rise of consumer food prices in the period under review—by 5.5 per cent per year—and, therefore, one of the reasons for the slowing down of private consumption in volume<sup>2</sup>.

### *Policy implications*

The foregoing analysis has tried to identify the main factors—exogenous or policy induced—of the shift into surplus of the current account and of the large accumulation of reserves. The present structure of the balance of payments and its overall disequilibrium raise important problems of policy. Some of the causes of the developments described above are likely to persist during the next few years. But the continuation of past trends is probably unsustainable. It seems, in any case, undesirable from the point of view of the country's development needs. The size of the

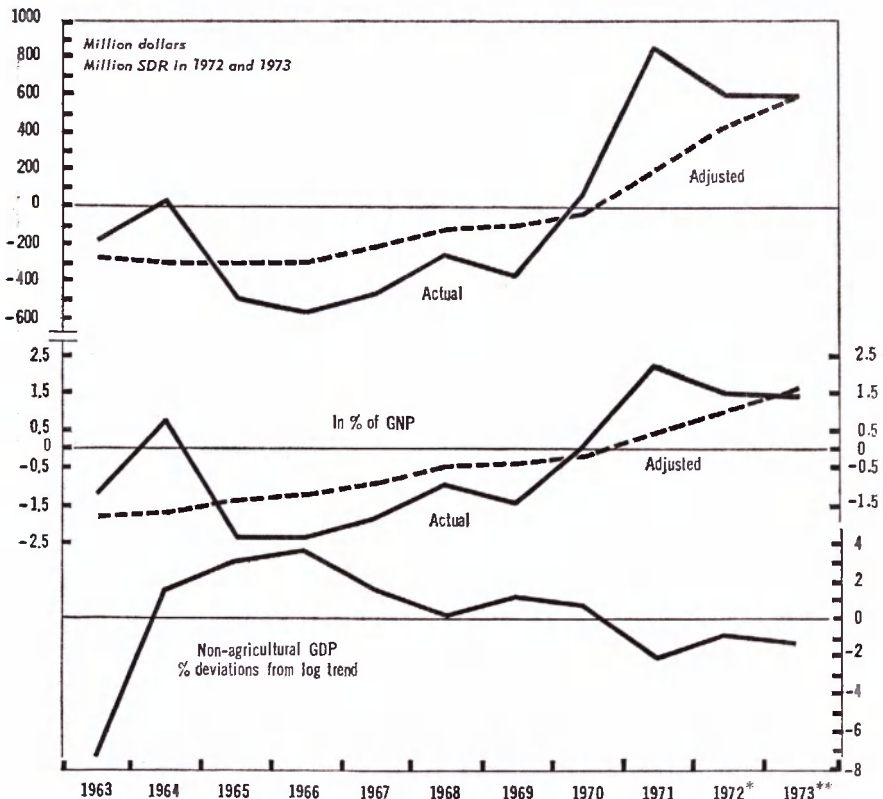
1 But see below for recent measures of liberalization.

2 In this respect it is interesting to notice that in the ten years to 1963-1964 the share of food in total imports had risen appreciably in Italy, which had at the end of the period roughly the same GNP per capita as Spain in 1971.

## Spain

current surplus in the last two years means that nearly one-tenth of national saving was made available to other countries. This transfer of real resources was to a large extent directed towards western European countries which have incomes per capita nearly three times as high as Spain and much higher capital stock per head, and which, moreover, receive practically all emigrating Spanish workers. Thus, in recent years, Spain has not only been exchanging titles of ownership of land against financial assets, but also exporting the other factors of production, capital and labour. The country's present stage of development and its great needs for productive investment and social expenditure suggest that the correction of the external disequilibrium should be sought more on the current than the capital account.

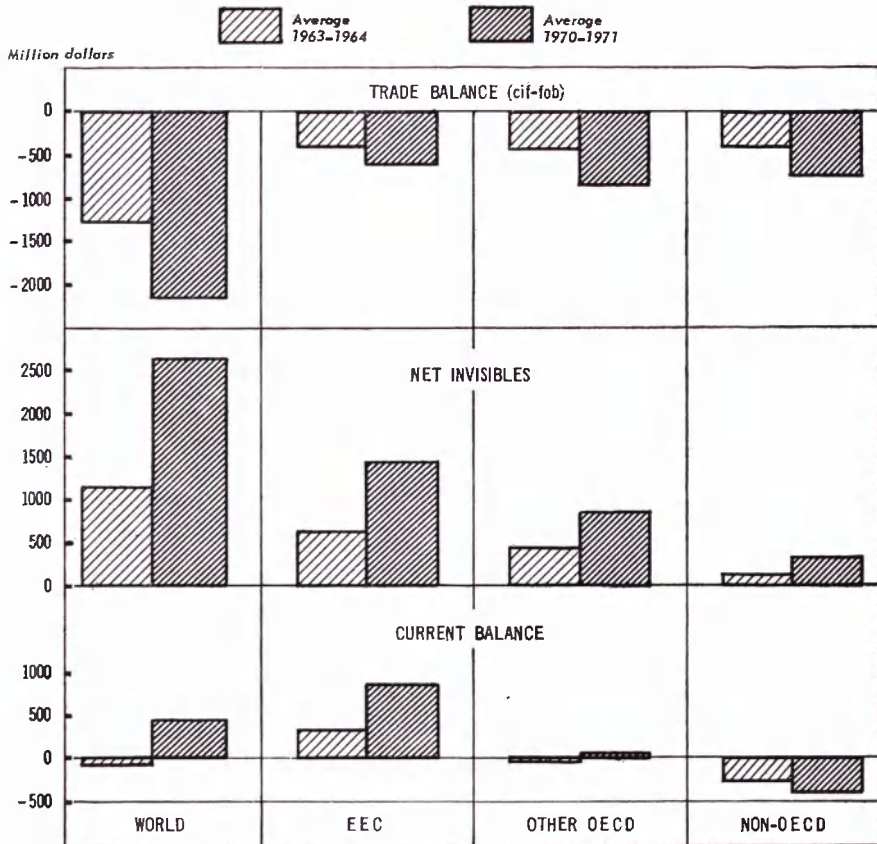
**Diagram 8 Adjusted Current Balance<sup>1</sup>**



- 1 Excluding official transfers.
- \* Preliminary.
- \*\* Forecast.

Sources: Balanza de Pagos - Ministry of Commerce, OECD National Accounts 1960-1970 and Secretariat estimates.

Diagram 9 Current Balance by Regions



Sources: Balanza de Pagos - Ministry of Commerce, OECD Foreign Trade Statistics, INE Statistical Yearbook and Secretariat estimates.

In order to have an idea of the scope of policy action needed to correct the present imbalance, account should be taken of probable movements of long-term capital. Autonomous market forces may well increase the net inflow in the next few years, notably because of direct foreign investment which is positively influenced by the medium-term outlook of the economy. There may be policy developments with opposite effects: for instance, improvements in the capital market may reduce borrowing abroad by Spanish firms; and export credit may be promoted in line with the growth of industrial exports. Measures were, moreover, taken recently to liberalize certain categories of capital outflow and further action in this direction is being considered. But a policy of large-scale capital exports would not appear consistent with the official objective of rapid

economic development. Accordingly, a somewhat lower net inflow than in recent years would seem a cautious forecast. If this is put for illustrative purposes at 400 million SDRs a year, it would represent roughly one half of 1 per cent of GNP in 1975 (the last year covered by the present Development Plan) and could finance a current deficit of similar size. The high level of the reserves allows for unforeseen contingencies in either the capital or the current account.

Moving from the recent level of the current surplus to a deficit of this order over the next couple of years amounts to a shift of some 1 billion of SDRs. In fact, the change would be bigger, in so far as the causes of the underlying improvement of the current account would continue to operate. More rapid growth would tend to reduce the surplus, but the shift required could only result from so strong an acceleration as would create strains in the short term, notably on the price level. Last year's Survey already pointed out that Spain's stronger external position allows a higher rate of growth than the 7 per cent postulated in the Third Plan, which, having regard to the initial amount of slack, corresponds to an underlying rate of 6½ per cent. A moderate acceleration of growth, say by three-quarters of one per cent of GNP per year, would entail, on the basis of past elasticities, an annual increase of around SDR 200 million in the imports of goods and services—a rather small inroad into the current surplus.

The present situation invites, however, serious examination of Spain's relatively high degree of protectionism. The process of gradual dismantling of quantitative restrictions on imports which started with the Stabilisation Programme of 1959 was practically arrested in 1963, and tariff reductions have since been rare. (For the recent limited measures of liberalisation see Part II below). Renewed progress in trade liberalisation could be a check against rising prices, would stimulate efficiency through increased competition and would be one of the conditions for faster and sustainable growth. But its effects on the balance of payments are extremely difficult to forecast. Some international comparisons by the Secretariat suggest a possible upper limit. It would appear that if protection through quotas and tariffs were reduced to levels typical of certain other Member countries in Europe, the share of imports in GNP could rise by some 2.5 percentage points and their level by about \$1 billion. It would thus take very fast progress in the liberalisation of imports drastically to reduce the current surplus. A combination of more rapid growth and of import liberalisation would tend to deteriorate the current balance on goods and services, but is unlikely significantly to affect in the near future workers' emigration and hence the volume of remittances, which approach now \$1 billion a year. Increased competition from imports would favour some capital deepening in domestic production, while increased job opportunities at home would partly reduce open and, especially, disguised unemployment<sup>1</sup>. It will probably take several years of very fast growth before the flow of emigration is considerably reduced.

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1 Registered unemployment rose on average by 25 per cent between 1964-1967 and 1968-1971, and marginal employment (people working less than 32 hours per week) rose by 45 per cent between 1964 and 1970.

## II ECONOMIC POLICIES AND THE PROBLEM OF INFLATION

### *Continued strong price increases*

Consumer prices rose for the average of 1972 by 8.3 per cent, roughly the same as a year earlier, but their evolution during the year was rather erratic, reflecting mainly, as in other European countries, the movement of food prices but also those of clothing and footwear. Near-stability up to June was followed by a strong acceleration and then by a slowdown in November and December, after the establishment of price controls in late (7.3 per cent for the total and 6.6 per cent for food) was, however, lower than in the course of 1971 (9.7 per cent and 12.6 per cent respectively) and of about the same order as that recorded in many other European countries. But the price increase over the last couple of years was among the highest in Europe. This has been a matter of concern for authorities both for domestic and external reasons, in view of the increasing integration of Spain in world trade.

A proper assessment of the underlying factors of inflationary pressures of concern for the authorities both for domestic and external reasons, in the past had risen relatively fast—by 8.3 per cent on average in the period 1963-1967. This was only partly due to structural transformations of the economy accompanying fast growth<sup>1</sup>. Policies were also responsible—notably sharp increases in agricultural support prices and the cessation of trade liberalisation. The rapid price increase of recent years was thus similar to that recorded around the middle of the sixties and in this respect developments in Spain were quite different from those in other European countries, as shown in Diagram 10. It also followed a period of substantially smaller price increases, from the devaluation of end-1967 to the middle of 1970.

The price effects of the devaluation were surprisingly slow to appear<sup>2</sup>. This was partly due to offsetting Government subsidies on basic foodstuffs, to temporary cuts in import duties and to the introduction of price and wage controls which help to explain the virtual stability of unit labour costs in industry in 1968 and 1969. As these special measures were abolished, price increases accelerated, especially since mid-1970. On the other hand, the reduction of imports of certain food products in 1970-71 (for instance, the quantity of imported meat fell by 60 per cent in 1971) may have resulted

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1 The view tending to consider the strong price rise in Spain as something inexorably related to the structural changes entailed by a high rate of growth does not seem to be supported by the experience of some other countries which went through similar developments in the past. In the middle 1950's Italy and Japan had a GNP per capita not very different from that of Spain (respectively \$ 450 and \$ 250 compared to \$ 300 for Spain). During the following fifteen years Italy's GNP rose by 6 per cent in volume on the average and the GNP price deflator by 3.5 per cent. The corresponding increases for real output and prices for Japan were 11 per cent and 4 per cent respectively.

2 During the one year and a half that followed the 14.3 per cent devaluation consumer prices rose by only 4 per cent. The simultaneous devaluation of sterling (by the same proportion) and of the Danish krone (by 8 per cent) were followed by price increases of, respectively, 8.5 per cent and 7 per cent during the same period.

Table 5 Prices and Wages  
Changes in per cent - annual rates

	Average 1963-67 <sup>1</sup>	Average 1968-72 <sup>2</sup>	1968	1969	1970	1971	1972 <sup>3</sup>	1972 <sup>3</sup> year to December
A WHOLESALE PRICES	4.0	3.9	2.3	2.5	1.6	5.7	7.6	6.5
<i>of which:</i>								
Food, drink and tobacco	5.3	4.3	3.1	2.4	—	7.2	8.5	5.6
Industrial goods	2.2	3.0	1.2	2.1	4.1	2.6	5.4	8.6
B COST OF LIVING	8.3	5.8	4.9	2.2	5.7	8.2	8.3	7.3
<i>of which:</i>								
Food	7.7	5.4	4.5	2.0	3.6	7.8	9.1	6.6
C WAGES AND LABOUR COSTS								
Hourly earnings all activities	15.4	13.1	8.7	11.8	14.2	14.2	16.6	17.9
Agricultural wages	11.2	11.6	8.9	9.2	14.9	8.9	12.1	9.9
Industrial wages	16.1	12.2	7.2	10.3	17.1	14.4	16.5	18.5
Unit labour costs (excluding construction)	6.8	5.8	2.7	1.1	9.5	9.4	6.2	6.4

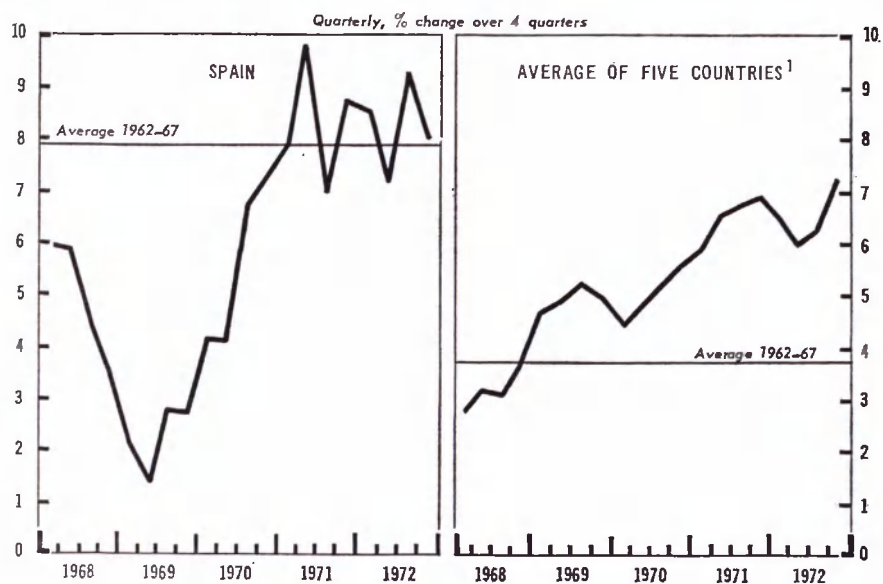
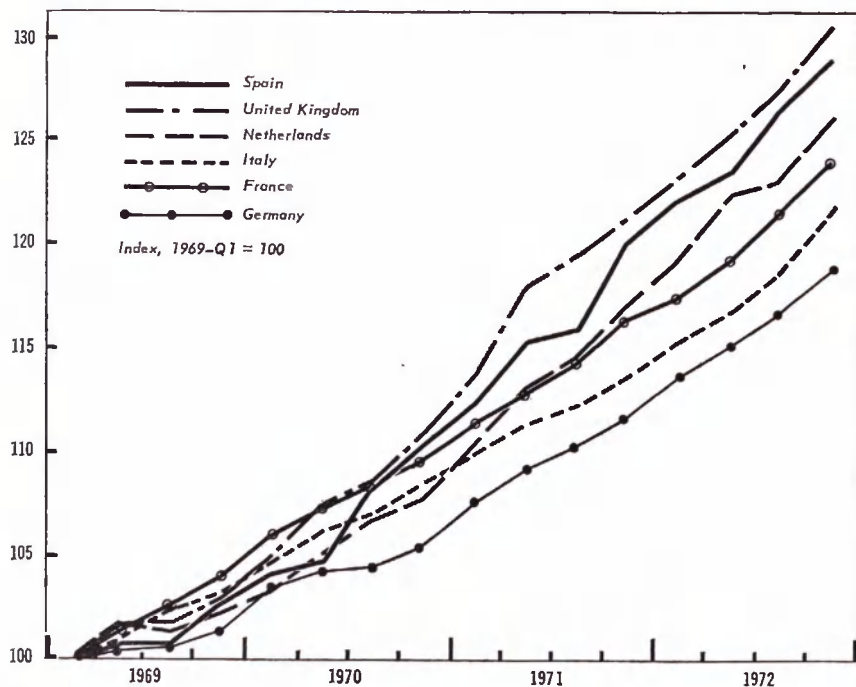
1 For wages and labour costs 1964-1967.

2 For wages and labour costs, January-September 1972 over January-September 1971.

3 For wages and labour costs June-September 1972 over June-September 1971.

Sources: INE, Statistical Bulletin of the Bank of Spain, Main Economic Indicators and Secretariat estimates.

Diagram 10 Comparative Movement of Consumer Prices



1 France, Germany, Italy, Netherlands, United Kingdom.

Sources: Main Economic Indicators.



in a certain disequilibrium between supply and demand. As agricultural support prices were also raised, retail food prices rose over the two years to end-1971 by 17 per cent. The upsurge of food imports in 1972 probably contributed to the moderation of the price rise in the first half of the year. The subsequent acceleration of inflation may partly be ascribed to rising import prices, to very buoyant demand and to rapid wage increases. It is, however, doubtful that overall demand pressure was really excessive last year. And if the whole period 1968-72 is considered (in order to subsume the distorting effects of price and wage controls) the average increase of both hourly earnings in industry and unit labour cost was lower than in the previous five years. The contrary is the case for prices of industrial goods. Although these statistics should be interpreted with great caution, they suggest that the pressure on the price level is not mainly of a cyclical character. Structural rigidities and impediments to competition are probably more important.

### *Demand management*

Given the time lags involved between action through fiscal and monetary instruments and their effects on demand, booming economic conditions in 1972 were probably reflecting the stimulus provided by the highly expansionary policy in effect in 1971 which, with respect to the budget, may have reached its peak in the second part of the year. Demand management remained expansionary in 1972 but became gradually less so as the year wore on. The authorities probably considered the degree of autonomous buoyancy sufficiently high, but their concern about rising prices may have also been responsible. The shift of stance was quite clear for monetary policy but it also became perceptible for fiscal policy. On present evidence, demand management will continue being cautious in 1973.

Assessment of the economic impact of the public sector in 1972 is not yet possible, because data for general government are still preliminary and incomplete. Even for the central government's transactions, important shifts in Treasury operations create difficulties of interpretation. For the year as a whole, the budget deficit proper decreased appreciably, as tax receipts rose faster than expenditure. This was partly due to the automatic stabilizing effect of the budget linked to the strong revival of business activity, but also to the fiscal drag resulting from price inflation and to the higher revenue obtained as income tax rates for workers were gradually raised towards the standard rate<sup>1</sup>. Total tax revenue rose by 19 per cent compared to an increase of nominal GNP by about 16 per cent. If extra-budgetary operations<sup>2</sup> are included, the reduction of the deficit was much

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1 The rate of taxation was 9 per cent as compared to the standard rate of 14 per cent. In the last three years, revenue from labour income tax rose by 27 per cent on average, as compared to a rate of growth of total wages and salaries of 14.5 per cent. In the same period, revenue from other direct taxes rose by nearly 16 per cent per year and national income by 13.5 per cent.

2 These include some purely financial transactions, but mainly income and outlays either made by central government on behalf of other bodies or temporarily recorded here until their final inclusion in the budget. For instance, the substantial increase in extra-budgetary revenue, recorded under "Other, net" in Table 6 (a) was partly due to higher contributions for Social Security in agriculture, and to reimbursements of advances made previously by the Treasury.

more important. As far as can be judged from the monthly evolution of the Treasury's total borrowing requirements, the impact of public finance, strongly expansionary in the second half of 1971, became much less stimulatory in the first half of 1972 and approximately neutral in the second half (See Diagram 11 a). As explained below the liquidity effect of the Treasury's operations was significantly restrictive.

The budget for 1973, according to official statements, aims at a neutral impact on the economy. It is considered consistent with a real growth of GNP of about 7 per cent and is intended to help mitigate inflationary pressures. The forecasts for budget expenditure (excluding financial transactions) are 13 per cent higher than the initial forecasts for 1973 with capital account expenditure rising by 11 per cent. If allowance is made, however, for the carry-over of unspent investment credits from previous years (15 billion pesetas) and for supplementary credits already approved

Table 6 Public Finance  
(a) BUDGET ACCOUNT AND TREASURY OPERATIONS

	1970	1971	1972	Change 1971/70 in %	Change 1972/71 in %
	<i>Billion pesetas</i>				
<b>I. BUDGET</b>					
1 Revenue	303.0	340.9	399.7	12.5	17.2
1.1 of which Direct taxes	82.0	98.7	117.6	20.4	19.1
1.2 Indirect taxes	174.1	184.9	219.6	6.2	18.8
1.3 Other	46.9	57.3	62.5	22.2	9.1
2 Expenditure	303.7	363.7	418.5		
3 Budget balance	-0.7	-22.8	-18.8		
<b>II. EXTRA-BUDGETARY OPERATIONS</b>					
4 Revenue	14.1	14.2	12.5	—	12.0
4.1 Annex budget	6.5	6.4	6.4		
4.2 Local authorities	7.6	7.8	6.1		
5 Expenditure	17.7	26.2	21.5	48.0	17.9
5.1 Annex budget	5.3	7.1	5.6		
5.2 "Sección Apendice"	1.3	0.2	6.9		
5.3 Local authorities	7.6	7.6	9.1		
5.4 "Sección Adicional"	3.5	11.3	—		
6 Other revenue (+) and other expenditure (-) (net)	5.1	1.0	20.6		
7 Extra-budgetary balance	1.5	-11.0	11.6		
<b>III. TOTAL BALANCE</b>					
	0.8	-33.8	-7.2		
<b>IV. BORROWING (+) AND LENDING (-)</b>					
8 Bank of Spain	2.7	-9.0	-24.0		
9 Treasury coins	—	0.9	0.5		
10 Public debt	-3.8	20.0	16.0		
11 Loans from abroad	1.0	0.9	0.5		
12 Cedulas	17.8	44.2	31.5		
13 Less transfers to official banks	-18.5	-23.2	-17.3		

**Table 6 Public Finance**  
**(b) BUDGET REVENUE AND EXPENDITURE<sup>1</sup>**  
*Billion pesetas and % changes*

	1971		1972		1973	
	Initial estimate	Out-turn	Initial estimate	% change 3:1	Initial estimate	% change 5:3
	1	2	3	4	5	6
<b>A Revenue</b>						
1 Direct taxes	96.6	98.6	115.0	19.0	135.7	18.0
2 Indirect taxes	191.7	185.0	225.0	17.4	260.8	15.9
Total taxes	289.3	283.6	340.0	17.9	396.5	16.6
3 Other revenue	59.5	56.7	61.6	3.5	69.0	12.0
<b>Total revenue</b>	<b>347.8</b>	<b>340.3</b>	<b>401.6</b>	<b>15.5</b>	<b>465.5</b>	<b>15.9</b>
<b>B Expenditure</b>						
4 Wages, salaries	149.1	140.1	164.6	10.4	185.1	12.5
5 Goods and services	23.1	24.0	26.2	13.4	31.4	19.8
6 Subsidies and transfers	76.1	89.9	91.2	19.8	104.7	14.8
7 Public debt interest	6.0	4.1	6.7	..	8.2	..
<b>Total current expenditure</b>	<b>254.3</b>	<b>258.1</b>	<b>288.7</b>	<b>13.5</b>	<b>329.4</b>	<b>14.1</b>
8 Direct investment	61.4	57.0	53.8	-12.4	61.8	14.9
<i>of which: Public works</i>	(30.7)	..	(27.7)	-9.8	(29.6)	6.9
Defence	(6.4)	..	(11.6)	81.3	(15.8)	36.2
9 Capital transfers	44.6	41.5	65.6	47.1	70.5	7.5
10 <b>Total investment (8 + 9)</b>	<b>106.0</b>	<b>98.5</b>	<b>119.4</b>	<b>12.6</b>	<b>132.3</b>	<b>10.8</b>
11 <b>Total expenditure</b>	<b>360.5</b>	<b>356.6</b>	<b>408.1</b>	<b>13.3</b>	<b>461.7</b>	<b>13.1</b>
12 <b>Balance (B - A)</b>	<b>-12.5</b>	<b>-16.3</b>	<b>-6.5</b>	<b>..</b>	<b>+3.8</b>	<b>..</b>

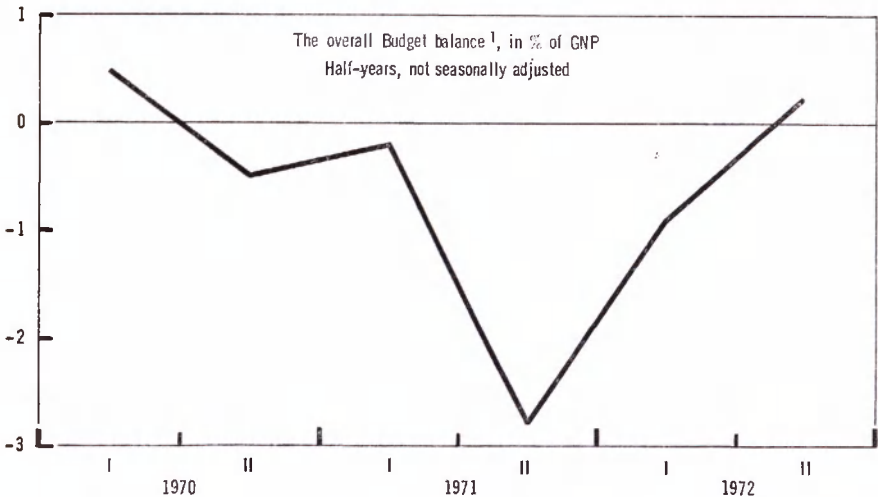
<sup>1</sup> Excluding financial transactions.

Source: Ministry of Finance.

(10.8 billion) total expenditure appropriations are so far 16 per cent higher than those of last year (i.e. initial credits plus carry-over plus supplementary credits of 1972). Revenue is also expected to rise by about 16 per cent<sup>1</sup>, so that a slight increase in the budget deficit seems likely. There are no detailed forecasts for the rest of general government, which will be considerably affected by important changes introduced in the methods of assessing contributions and benefits of Social Security<sup>2</sup>. According to past experience the rise of contributions should exceed the increase of benefits during an initial period, but preliminary official estimates show similar increases of about 15 per cent for 1973. This estimates implies, nonetheless, somewhat higher current saving of Social Security, which would roughly offset a possible small stimulative impact of central government transactions.

It was in the monetary field where the efforts of the authorities to keep the expansion in the course of 1972 under control were more clearly perceptible. Action started to be taken already in 1971 with a view to

**Diagram 11 Selected Policy Indicators**  
(a) Recent trends of fiscal policy



1 Budget balance plus the balance of extra-budgetary operations (item III of Table 6 a) in per cent of GNP in preceding period.

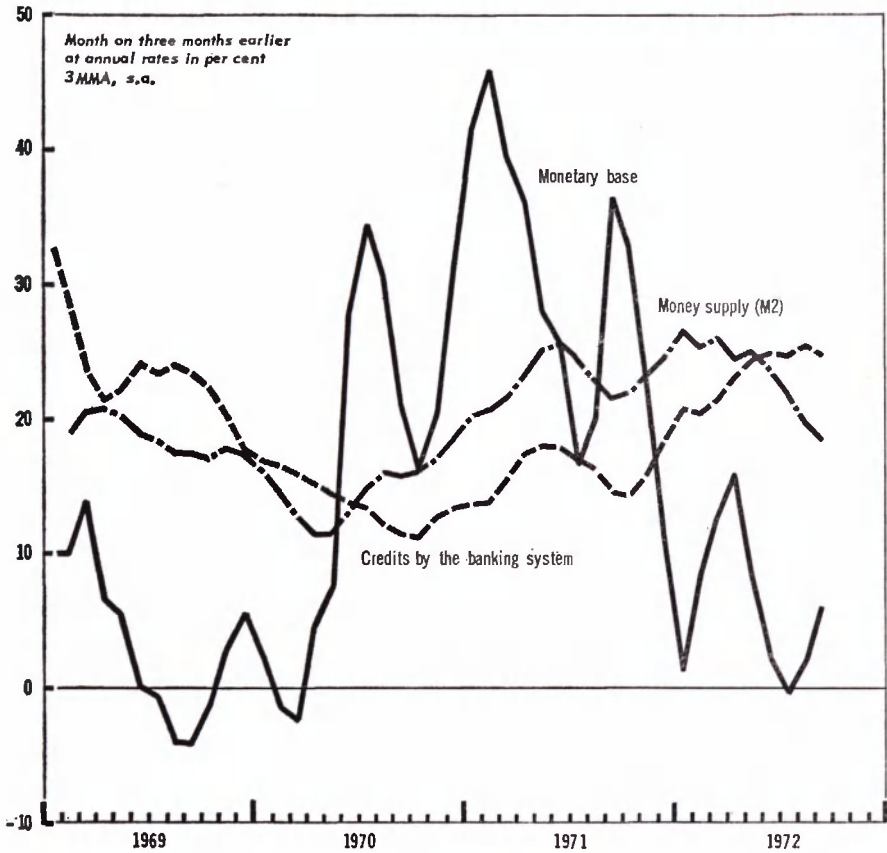
Sources: Ministry of Finance; Bank of Spain and Secretariat estimates.

1 The loss of revenue entailed by the investment tax credit mentioned earlier (about 10 billion) will largely affect receipts in 1973. On the other hand, the yield of the labour income tax is forecast to rise substantially, partly as a result of inflationary fiscal drag and because of the increase in the tax rate from 9 to 14 per cent. It was recently decided, however, to maintain this year the 9 per cent rate on incomes between 100 000 and 200 000 pesetas a year; only those above 200 000 pesetas will be subject to the standard tax rate of 14 per cent.

2 Up to last July, when the new system started to be implemented, both contributions and benefits were linked to a "standard" wage or salary which varied in line with the minimum daily wage. Actual earnings will constitute the new basis of assessment, which will be gradually applied up to 1975.

Spain

Diagram 11 Selected Policy Indicators  
(b) Recent trends in monetary variables



Sources: Bank of Spain and Secretariat estimates.

reducing the excessive expansion of liquidity in the economy and was reinforced, through roughly the same instruments, in the course of 1972. The effects, however, were quite different in the two years. The substantial amount of liquidity withdrawn by the authorities' intervention in 1971 did not prevent commercial banks from expanding credit to the private sector by 19 per cent and increasing at the same time their liquidity ratio; the latter was, on the contrary, significantly eroded in the course of 1972.

The strengthening of the contractive action last year was reflected in an increase of the monetary base up to September by only 39 billion pesetas, as against 90 billion in the similar period of 1971. The autonomous creation of liquidity was somewhat smaller than in 1971 but the amount withdrawn through the authorities' intervention was much bigger. As in 1971, the main means of action were the issue of public debt (16

billion pesetas not eligible for the compulsory investment ratio of banks<sup>1</sup> with a 6 per cent coupon) in excess of the financial needs of the Treasury, but also delays in the transfer to official banks of the funds withdrawn from commercial banks through the compulsory investment ratio. Credit from the Central Bank to commercial banks also fell, but less than in 1971, when important cuts in the ordinary rediscount lines were made. Moreover, the smaller expansion of the monetary base was accompanied by a much bigger absorption by the non-bank sector—probably reflecting the acceleration in labour earnings—so that bank liquidity rose by rather less than in the comparable period of 1971. The institution in early 1972 of a 4 per cent cash ratio on saving banks<sup>2</sup> helped to reduce excess bank reserves which showed a marked decline in the course of 1972.

There were signs of a reversal of the trends described above during the more recent period. In the fourth quarter of 1972, the increase of the monetary base accelerated strongly due only partly to seasonal factors; this brought the increase for the year as a whole to 66 million pesetas, still much less than the rise of 1971. As shown in Diagram 11b, the growth of money supply had progressively slowed down up to last autumn, but by the end of December its annual increase (23 per cent) was only marginally lower than in the previous year. Credit expansion has also levelled off around the middle of last year, but picked up again in the autumn so that for the year as a whole it was about 28 per cent. As a result of these developments, the excess liquidity of commercial banks fell to 1.6 per cent of deposits in December, compared with 4 per cent a year earlier. There was, however, a marked increase of banks' liquidity in the first two months of 1973, partly of a seasonal character but reflecting also the balance of payments surplus. Banks continued in 1972 to extend their financial transactions in international markets, which had started during the credit squeeze of 1970, but persisted afterwards for different reasons. By October their net foreign liabilities had reached 33 billion pesetas (about \$500 million). This is not an important amount compared to the total volume of external transactions of the economy, but is a non-negligible source of bank financing (it corresponded to 25 per cent of total credit from the Bank of Spain to the banks) which could hamper the control of bank liquidity. This has induced the authorities to extend, in February 1973, the 100 per cent reserve requirement to increases of all categories of deposits in convertible pesetas<sup>3</sup>. Other measures were also taken in early 1973 with the object of keeping the expansion of liquidity under

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1 Banks are obliged to satisfy an "investment ratio" of 22 per cent of deposits by buying special, non transferable government bonds (15 per cent) and other specified assets (7 per cent). See below for the recent change in this ratio.

2 Saving banks complied by transferring deposits from commercial banks to the Central Bank.

3 In accordance with foreign exchange legislation banks were entitled to receive from abroad: (i) deposits in convertible pesetas without limitation, those for less than three months were subject to a 100 per cent deposit with the Central Bank without interest; (ii) deposits in foreign currencies without limitation provided they are fully reinvested abroad, loans to residents in foreign currencies being considered in this respect as foreign assets. Banks could also keep foreign banknotes without restriction and keep a small amount of other assets in foreign exchange resulting from ordinary external transactions.

Table 7 Money and Credit  
 (a) THE "MONETARY BASE"<sup>1</sup>  
 Changes in billion pesetas

	1970	1971	1971				1972		
			I	II	III	IV	I	II	III
<b>A ORIGIN OF LIQUID ASSETS</b>									
1 Public sector	5.9	21.5	6.0	-12.4	7.0	20.9	19.2	-9.7	-11.9
2 External sector	57.8	101.0	16.3	22.3	42.2	20.2	13.6	30.5	28.0
3 Other sectors	-0.6	6.4	1.5	11.5	3.2	-9.8	1.0	-3.0	13.3
4 Total autonomous sectors	63.1	128.9	23.8	21.4	52.4	31.3	33.8	17.8	29.4
5 Credit to the banking system	15.4	-26.0	1.7	3.8	-10.3	-21.2	-1.5	-3.1	-5.3
6 Public sector	3.2	-43.1	-3.8	-9.9	-7.2	-22.2	-19.1	-10.8	-2.1
7 Import deposits	-23.8	25.7	3.7	6.0	9.0	7.0	..	..	..
8 Total monetary authorities	-5.2	-43.4	1.6	-0.1	-8.5	-36.4	-20.6	-13.9	-7.4
9 Total monetary base (4 + 8)	57.9	85.5	25.4	21.3	43.9	-5.1	13.2	3.9	22.0
<b>B USE OF LIQUID ASSETS</b>									
10 Increase in the money in the hands of the public	20.1	31.8	-14.9	13.7	7.4	25.6	-9.5	10.5	11.5
11 Banking system	37.8	53.6	40.3	7.5	36.4	-30.6	22.7	-6.6	10.5
12 of which: retention of liquid assets as cash ratio	-0.7	-105.4	-85.2	-5.1	-3.8	-11.3	-32.0	-6.9	-10.6

<sup>1</sup> Here defined as currency in the hands of the public plus the banks' liquidity; i.e. essentially the monetary liabilities owned by the public and the banks created by the Bank of Spain  
 Source: Bank of Spain.

control while improving at the same time the instruments of monetary policy. Thus, in accordance with the budget law of 1973, three-month Treasury bills were created with a 5 per cent coupon rate; the total amount authorised (10 billion pesetas) was issued by February. In January, the compulsory government bond ratio of commercial banks was reduced from 15 to 14 per cent of deposits. The effect of this on banks free liquidity was approximately offset in March when the rules governing the cash ratio of banks were made more stringent.

External finance of the private sector in 1972 was some 120 billion pesetas higher than a year earlier although recourse to the capital market remained, for the second consecutive year, practically unchanged. More important perhaps, the share of financing through privileged<sup>1</sup> circuits,

Table 7 Money and Credit  
(b) CONSOLIDATED ACCOUNT OF THE BANKING SYSTEM<sup>1</sup>  
Annual changes in billion pesetas

	1969	1970	1971	1972
<b>A LIABILITIES</b>				
1 Money supply	89.4	41.2	175.1	217.5
2 Quasi-money	178.9	214.5	292.5	337.3
3 TOTAL <sup>2</sup> LIABILITIES (including "cash bonds") = ASSETS	272.9	260.3	467.1	554.9
<b>B ASSETS</b>				
4 Public Sector	17.0	23.2	28.1	24.6
(a) Net advances to	10.5	9.7	-23.0	-14.3
(i) Central Government	4.5	2.9	2.4	-21.5
(ii) Autonomous institutions less deposits	6.0	6.9	-25.3	7.2
(b) Purchases of Government and INI bonds <sup>3</sup>	41.6	29.2	71.3	56.7
(c) less Grants to official credit institutions	-35.2	-15.7	-20.2	-17.8
5 Private sector	271.0	226.7	314.5	455.0
(a) Advances and bills discounted	236.4	186.6	265.4	416.3
(b) Bonds and shares	34.6	40.1	49.2	38.7
6 External sector	-17.2	46.5	83.7	81.9
7 Other assets and liabilities (net) of which Import deposits	2.1 -1.9	-36.1 -23.8	40.8 25.7	-6.6 ..

1 Bank of Spain, Commercial banks, industrial banks, savings banks and official credit institutions.

2 Excluding foreign exchange deposits.

3 A breakdown between the two categories is not available.

Source: Bank of Spain.

1 Financing in more favourable conditions than those obtaining in the market, mainly through the Bank of Spain, official credit institutions, and saving and commercial banks as a result of the "special rediscount lines", (used extensively until July 1971) and the compulsory investment ratios.



which had been considerable in the past, but started falling after the change of policy in mid-1971, seems to have declined further, to judge by the slowing down in credit granted by saving banks and particularly by official credit institutions. The reduction, as from January 1973, of the compulsory investment ratio of saving banks (from 45 to 40 per cent of deposits) should further reduce privileged financing. The institutional changes of the last three years<sup>1</sup> seem to have also led to a reduction of the differential in interest rates between privileged and normal circuits. But rates charged by banks on long-term credits, which had been falling all along 1971, showed no change in the course of 1972 despite the somewhat tense liquidity conditions of banks.

### *Price policies*

Concern for the strong price increase led the authorities to adopt a set of specific anti-inflationary measures at the end of October 1972. It was decided that prices of essential food products would be fixed every week by provincial authorities for a period of six months. Public utility tariffs and hotel prices were also frozen for the same period. Customs tariffs for a range of products representing 7.5 per cent of 1971 imports (but of which one-sixth had the symbolic custom duty of 1 per cent) were temporarily eliminated or reduced. Quantitative restrictions on imports which had remained practically unchanged since 1963, were reduced. A series of products subject to the quota system<sup>2</sup> and accounting for 3.2 per cent of 1971 imports were liberalized. It was finally decided that the present system of food imports under State trade would be completely overhauled<sup>3</sup>. Most of these imports would be turned over to private enterprises, under rules to be subsequently established. The first effect of the price controls can probably be seen in the deceleration of the price rise in November and December. The methods of control applied are, however, of an emergency character and would risk over a longer time giving rise to parallel markets or leading to a deterioration in the quality of goods sold. The authorities have not so far announced their plans for the period following the price freeze. The decision to reduce some tariffs and remove certain import quotas is of great significance for the general orientation of policy, but given the small weight in total imports of the goods affected so far the impact on prices will be very modest. The reform of trading arrangements for food and agricultural imports is of substantial potential importance over the medium-term. Its effects cannot, however, be assessed before the new operating rules are established.

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1 The revision of the structure of interest rates in 1969 (cf. the OECD Survey of Spain, 1970, page 33) and the reform of the official credit system in July 1971 described in "Capital markets in Spain", OECD, 1971.

2 Imports under global quota and individual licencing accounted in 1971 for some 14 per cent of total imports.

3 State trade includes, besides State monopoly goods such as petroleum products and tobacco, the following main agricultural products: seed oils, wheat, sugar, eggs, butter, coffee, raw cotton, barley, maize, cotton seeds and oil, soja bean oil, frozen beef and frozen fish.

Table 8 Foreign Trade by Major Commodity Groups<sup>a</sup>  
% changes over a year earlier<sup>1</sup>

	Weight in 1970 US dollars	1971			1972				
		I	II	Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
<i>Imports, cif</i>	4 747	1	8.4	4.6	28.4	28.4	21.6	25.1	25.9
Agricultural	762	22	12.1	16.9	18.8	8.3	14.9	32.8	18.3
<i>of which: Meat</i>	66	-54.4	-31.1	-43.8	278.9	384.6	170.6	295.4	273.9
Non-agricultural	3 985	-3	7.5	2.2	30.5	33.0	23.2	23.6	27.6
<i>of which: Iron and steel</i>	458	-44	-15.3	-31.5	13.4	43.8	23.8	12.9	22.1
Machinery	954	3.3	7.2	5.3	22.9	36.1	35.7	22.6	29.1
<i>Exports</i>	2 387	24	21.9	23.1	29.4	14.6	22.6	12.5	19.2
Agricultural	859	9.3	6.5	8.0	14.9	-7.0	5.8	15.7	8.0
Non-agricultural	1 528	34	29.7	31.6	37.9	24.3	28.7	11.1	24.4
<i>of which: Machinery</i>	245	41	20.8	30.8	11.7	-1.5	22.3	-1.5	6.4
Ships	124	126	-20.8	20.7	15.6	62.2	67.8	98.7	58.6
Footwear	109	55	73.3	30.1	84.2	40.0	30.5	15.9	40.9
Iron and steel	89	48	127.1	90.1	73.8	93.5	23.5	23.1	45.9

<sup>1</sup> In pesetas.

Sources: Main Economic Indicators and Monthly Bulletin of Foreign Trade Ministerio de Hacienda.

### III SHORT-TERM PROSPECTS AND POLICY ISSUES

#### *The outlook for 1973*

The statistics available at the time of writing suggest that, after a temporary slowdown in the early autumn, demand and output were expanding fast in the late months of 1972. In the six months to December industrial production rose at a seasonally adjusted annual rate of 17 per cent. The rising level of orders reported in business surveys up to December pointed to continued buoyancy of output in coming months. But there were signs of a shift in the pattern of demand. Exports remained strong and the growth of private consumption may have been accelerating but various indicators (notably production and imports of capital goods) showed that the investment boom had lost vigour. With a probable smaller impetus from investment demand in 1973, the rate of growth is likely to decelerate somewhat on the assumption of unchanged policies.

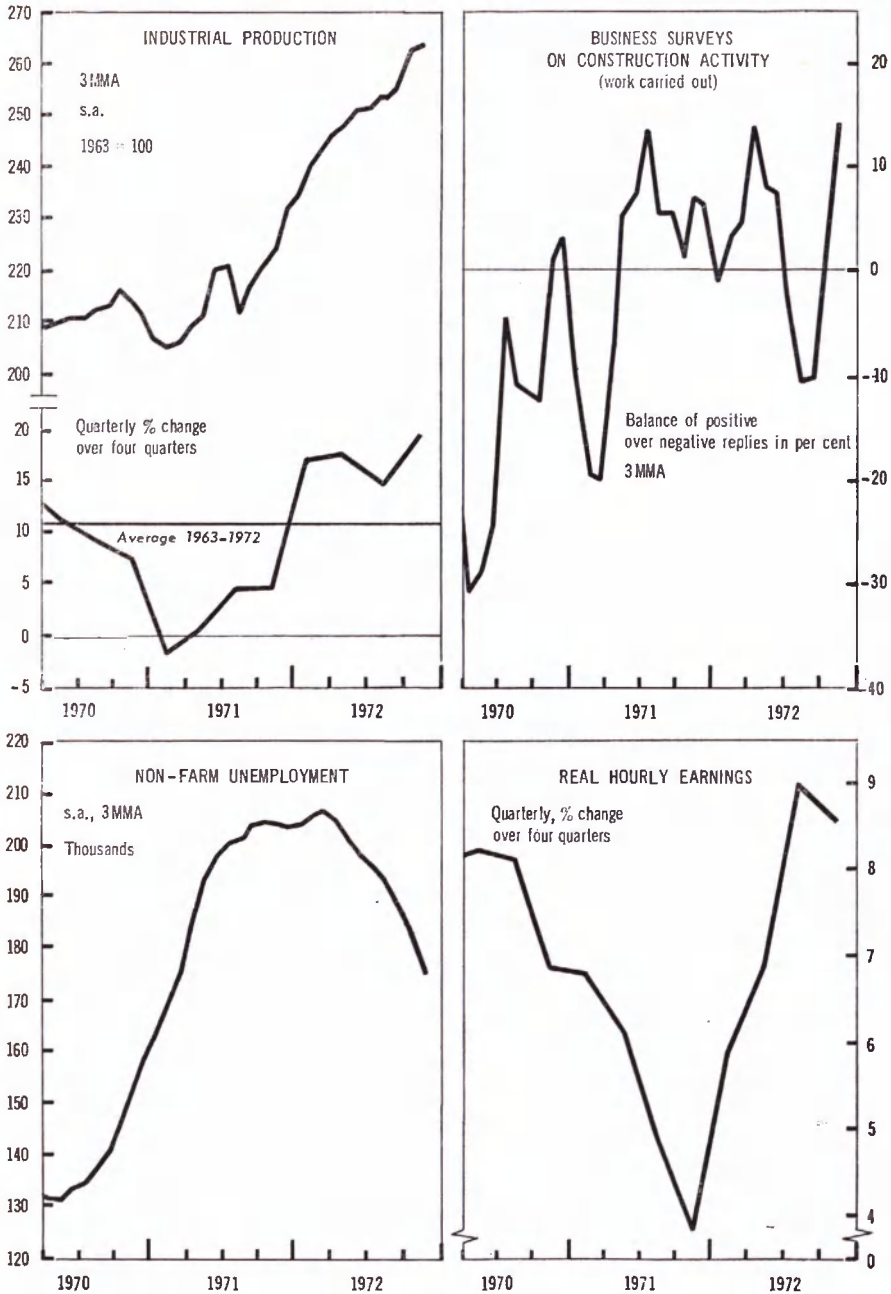
The latest information available indicates the continuation of a permissive stance of monetary policy. The authorities are apparently aiming at increases of the monetary base and of money supply in 1973 of roughly 15 per cent and 20 per cent respectively, which they consider compatible with the expected 15 per cent nominal growth of GNP. Despite its recent increase, excess bank liquidity was still relatively low early this year (taking account of seasonal factors). And given the measures taken recently to improve the control of liquidity, the authorities are in a position to attain their declared aim of moderating the expansion of money and credit. But the liquidity impact of the large balance of payments surplus cannot easily be foreseen. As mentioned earlier, no significant expansionary stimulus can be expected from the public sector's transactions this year.

After the sharp increase of business investment last year a smaller rise in 1973 seems very probable, but the degree of deacceleration is uncertain. Spare plant capacity has certainly been reduced as output expanded strongly but may still have remained appreciable towards the end of last year<sup>1</sup>. In any case, important additions to capacity are probably becoming now operative. The financial situation of enterprises must be quite good, in view of last year's considerable rise in profits, and firms should benefit from the tax credit on investment. They will, however, be faced with higher Social Security contributions and probably strong wage increases while the expansion of credit is likely to decelerate this year. Housebuilding activity remains depressed and no significant revival can be expected; certain stimulative measures taken in 1972 are unlikely to produce their effects until late this year. According to official estimates general government investment should increase by 8.5 per cent in real terms, but invest-

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1 The results of the business survey show for the third quarter of 1972 a record high-rate of capacity utilization in industry, but its evolution in the course of the year raises serious doubts as to the reliability of this indicator. Thus in the year to the third quarter 1972, the rate of under-utilization of capacity is shown to have fallen by seven percentage points, i.e. more than twice as much as in the boom year ending in the third quarter of 1969, although industrial production had progressed by rather less (respectively by 14 per cent and 17 per cent) and the growth of capacity was probably not very different.

Diagram 12 Selected Indicators of Current Trends



Sources: Main Economic Indicators, Monthly Bulletin of the Bank of Spain, and Secretariat estimates.

ment by State-owned enterprises (mainly railways and the firms controlled by INI) is expected to remain flat. Accordingly, the growth of total fixed investment should be distinctly lower than last year: a year-on-year volume increase of around 10 per cent would seem an upper limit. Moreover, enterprises are unlikely to make any big additions to stocks after last year's important building-up of inventories.

The prospects for private consumption depend to an appreciable extent on the effectiveness of the anti-inflationary measures. The rising trend of non-farm employment is likely to continue in coming months and wage increases to remain important. But since collective agreements link partly the rise in wages to the development of the cost of living, a deceleration of price increases would somewhat dampen the wage rise. On the other hand households will benefit from a sizeable increase in transfers, especially social security benefits, but disposable income will tend to be reduced by the 25 per cent increase of direct taxes on households forecast in this year's budget. There is no statistical basis on which to build precise forecasts, but it would seem a reasonable assumption that consumers' expenditure in nominal terms will rise at about the same rate as in 1972 or slightly less. The development of prices is necessarily uncertain, but in view of last year's "profile" and the acceleration shown in January, even if prices were to rise in the course of 1973 somewhat less fast than during 1972 there will probably be a considerable increase of the yearly average<sup>1</sup>. In real terms, therefore, the growth of private consumption may not be very different from the 6½ per cent apparently recorded in 1972.

On the basis of these prospects for domestic demand, and assuming a small contractive impact of the foreign sector, GNP growth would decelerate this year—from about 7½ per cent recorded in 1972 to perhaps somewhat less than 7 per cent. But the deceleration may be more marked in the second half of the year unless demand management were to provide stronger stimulus than was assumed above.

There are inevitable uncertainties about the short-term outlook for the current balance of payments. In particular it is difficult to estimate the possible effects on trade and invisibles of the dollar devaluation, the changes in other central rates and the floating of many currencies. The parity of the peseta was maintained, so that the realignment resulted in an effective revaluation. Compared with November 1971 (before the Smithsonian agreement) the rates prevailing in early March 1973 implied that average revaluation was about 4 per cent<sup>2</sup>. On the basis of present forecasts for world trade, foreign markets should grow substantially this year, and faster than in 1972. Spanish industrial exports should continue to gain market shares, though probably to a smaller extent than in the

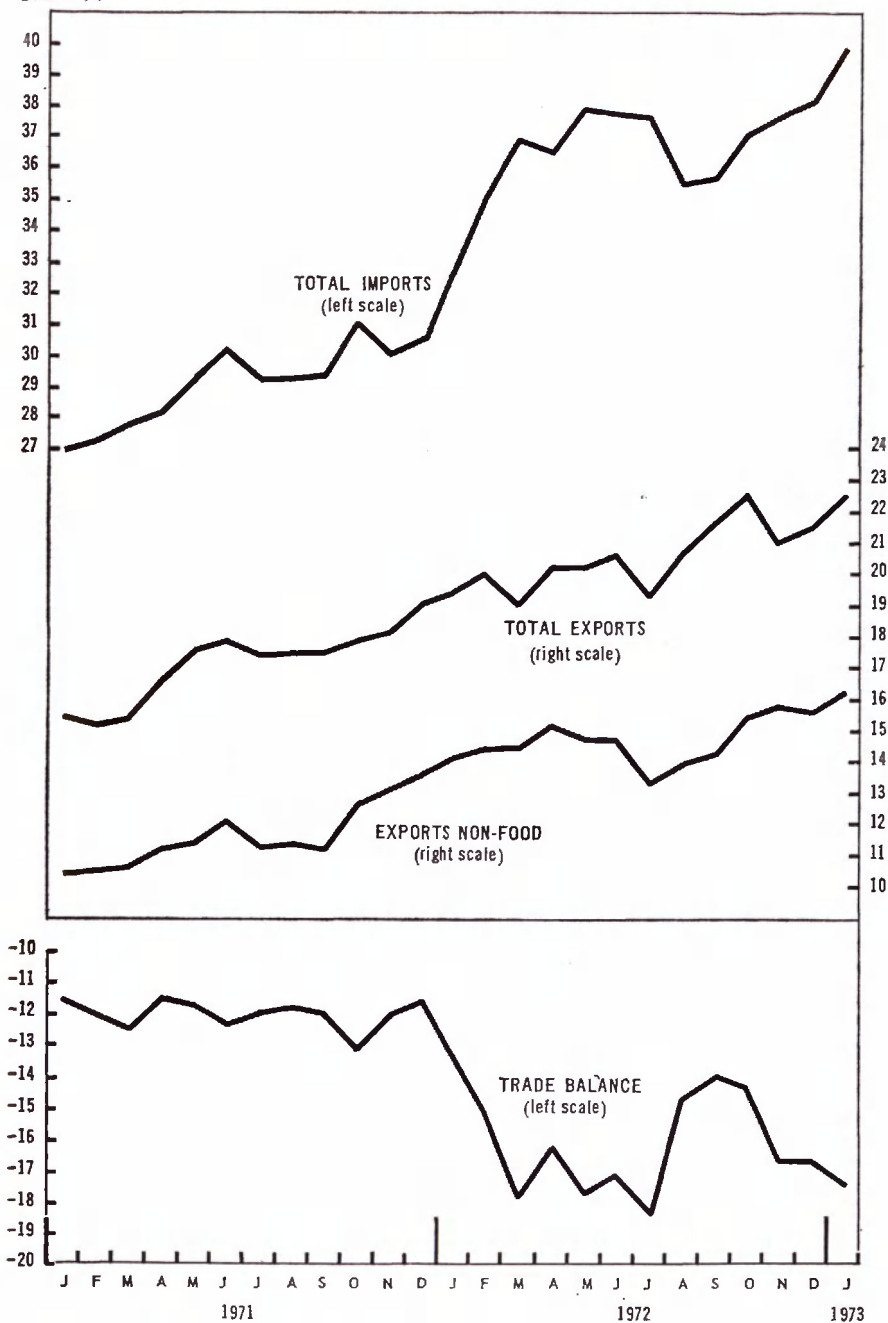
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1 The increase of consumer prices between the fourth quarter of 1971 and the fourth quarter of 1972 works out at 8 per cent, while the increase of January 1973 (0.76 per cent) was nearly as large as in the first three months of 1972. Moreover, some price increases have already been announced to follow the expiration of the control measures at the end of April. If, nevertheless, the increase between the fourth quarters of 1972 and 1973 were to be brought down to say, 7 per cent, the annual average increase of 1973 would still be nearly 8½ per cent.

2 This calculation is based on the structure of foreign trade and takes account of both bilateral flows and of third markets.

Diagram 13 Recent Trends of Foreign Trade

Billion pesetas  
3 MMA s.a.



Sources: Customs office and Secretariat estimates.

recent past in view of the forecast sustained growth of domestic demand which should limit export availability. Despite some limited effects from the recent measures of trade liberalisation, the rise of imports is likely to decelerate, because of the slower growth forecast for domestic demand components with a high import content—business investment and stock-building. On a seasonally adjusted basis, total imports had flattened out during the second half of 1972; in recent months, however (up to February 1973) they were rising again though less fast than a year earlier. Assuming that food exports will rise in line with medium-term trends, the values of total exports and imports (in pesetas) may increase at approximately the same rate this year, of the order of 20 per cent. This would still result in an increase of the trade deficit, which is likely to be offset by further gains on net invisibles, though probably smaller than those recorded in 1972. The current external account may, therefore, continue to show a considerable surplus of the same order of magnitude as the 600 million SDRs recorded in 1972. Certain official estimates put the 1973 current surplus at 400 to 450 million SDRs, but they assume a marked slowdown in the growth of net invisibles—somewhat unlikely in view of the acceleration of economic activity forecast throughout the OECD area for 1973.

### *Policy conclusions*

The reflationary measures taken in 1971 to lift up the economy from a prolonged phase of very modest growth proved remarkably successful in producing a strong investment boom in 1972. Moreover, exports benefited from world demand conditions distinctly more buoyant than was anticipated on the eve of last year. As a result, a broadly based recovery was established, and real GNP grew by about  $7\frac{1}{2}$  per cent, compared with only  $4\frac{1}{2}$  per cent in 1971 and a medium-term average rate of  $6\frac{3}{4}$  per cent. Rapid growth did not significantly impinge on the substantial current external surplus, which, together with persistently high capital inflows, led to further accumulation of foreign exchange reserves. On the other hand, continuing rapid price rises have been a cause of increasing concern.

The price situation was probably one of the main reasons for the progressive moderation of the expansionary stance of fiscal and monetary policies in the course of 1972. The gradual shift of demand management was facilitated by certain improvements in policy instruments and contrasts with earlier experience: reflationary or restraining action was often taken too late in the past and had, therefore, to be more drastic. As the expansion accelerated last year, it was justified to try to prevent the boom from getting out of control. But autonomous demand prospects for 1973 and consideration of the timelags between policy measures and their effects on economic activity may call for a reconsideration of demand management. Following its sharp upturn in 1972, business demand for fixed investment and stocks will probably rise distinctly less fast this year; the growth of exports is unlikely to exceed the very rapid rate recorded in 1972; and there are no evident reasons to expect any significant acceleration of private consumption in real terms.

There is thus a possibility that the growth of output, which continues to be strong at present, will slow down progressively in the course of 1973, unless this is prevented by adjustments of economic policy. Monetary conditions are likely to remain relatively easy in coming months, even though the authorities are seeking to avoid an excessive increase of liquidity. But the latest budget estimates and the probable initial effects of the recent reforms of Social Security imply that no significant expansionary stimulus can be expected from the transactions of general Government this year. There are inevitable uncertainties in such forecasts and current developments will have to be watched carefully. If it is confirmed that a relaxation of demand management is required to prevent the rate of economic growth falling below the growth of potential in the second half of the year, a very appropriate contribution of fiscal policy would be to increase public investment as far as it is technically possible for additional expenditure to take place without undue delay. This would have appreciable multiplier effects on employment, would absorb unused resources in the construction sector and would be consistent with longer-term needs. Increases in certain transfers to households and measures to reduce the inflationary fiscal drag on lower income groups would also command high economic and social priority.

A more fundamental problem facing at present the authorities, however, is the development of external transactions. Last year's OECD Survey already pointed out that an underlying strengthening of Spain's current account was under way and that this had important implications for policy. The current surplus, though somewhat reduced, remained substantial last year and seems unlikely to change significantly in 1973. The present Survey discusses the main causes of the turnaround in the current balance of payments—the steady large gains on net invisibles, the remarkable performance of Spanish industrial exports and the deceleration in the growth of imports due both to the slower average growth of the economy in the last few years and to the maintenance of import restrictions. As capital inflows have remained substantial, foreign reserves rose to a very high level and seem likely to continue increasing this year.

Many of the factors responsible for these developments will probably continue to operate in the next few years, whatever uncertainties may surround the short-term outlook for the balance of payments. It seems, therefore, clear that this situation of external disequilibrium calls for early corrective action. In view of Spain's relative position with respect to per capita income and of her substantial development needs, adjustment should be sought more on the current than on the capital account. It seems, indeed, hardly appropriate for Spain to run at present one of the world's highest current surpluses in relation to GNP while large number of workers continue to leave the country in search of employment abroad, even though emigration diminished in the more recent period. The foreseeable persistence of a considerable net inflow of long-term capital could eventually finance a moderate current deficit in the next few years, while the high level of foreign reserves provides an important margin for contingencies. In these circumstances, the decision to maintain the parity of the peseta after the devaluation of the dollar in February 1973 seems fully justified.



## *Spain*

Acceleration of economic growth would, naturally, be the most appropriate way of restoring external equilibrium. But very rapid expansion may risk exacerbating price pressures, if not accompanied by structural reforms. Fortunately, the present situation allows desirable reforms to be undertaken in a determined way in the area of foreign trade, by reducing the protective barriers against imports. Liberalisation of imports—in the widest sense of the term, i.e. including reduction of tariffs—would tend to reduce the current surplus but would also provide a powerful check against rising prices and, by stimulating efficiency, would facilitate faster and sustainable growth. Over the longer term it would also help to ensure continued competitiveness of Spanish exports.

Assuming for the future a substantial degree of freedom in world trade and orderly condition in international payments, a general orientation of policy towards more rapid growth combined with liberalisation of imports and tariff cuts would seem to hold the best hopes for Spain's economic development in coming years. The transformation of the balance of payments situation has created opportunities for policy initiatives perhaps as important as those which were so successfully seized in 1959 when the Spanish economy started opening up towards closer integration into world markets.

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***STATISTICAL ANNEX***

Table A National Accounts  
Billion pesetas

	Current prices					1964 prices				
	1967	1968	1969	1970	1971	1967	1968	1969	1970	1971
<b>1 EXPENDITURE</b>										
1 Consumers' expenditure	1 140.0	1 250.7	1 378.8	1 522.2	1 707.4	908.4	946.5	1 012.5	1 052.1	1 087.4
(a) Food	475.0	511.6	551.6	608.1	676.9	378.2	389.2	409.2	432.9	447.0
(b) Clothing	153.6	166.3	182.5	205.7	228.6	111.6	116.1	122.3	126.0	128.1
(c) Rent	82.7	103.7	109.3	117.7	128.0	63.8	76.5	77.8	79.7	81.8
(d) Durables	105.0	112.1	123.1	132.5	145.5	99.4	102.7	109.5	112.5	118.2
(e) Other	323.7	357.0	412.3	458.2	528.5	255.4	262.0	293.7	301.0	312.3
2 Government current expenditure	166.9	187.0	214.4	249.5	286.0	110.3	114.8	121.1	132.4	140.8
3 Gross domestic fixed asset formation	346.9	377.0	441.0	481.5	498.5	320.1	328.9	369.5	383.7	376.5
(a) Residential construction	60.7	70.2	80.2	83.7	84.4	52.8	57.2	62.6	61.3	57.8
(b) Other construction	119.6	129.7	146.8	164.6	179.6	106.9	109.4	117.4	123.5	125.3
(c) Machinery and equipment	166.6	177.1	214.0	233.2	234.5	160.4	162.3	189.5	198.9	193.4
4 Changes in stocks	33.6	37.1	41.2	39.8	43.0	31.1	33.1	35.6	33.1	34.3
5 Exports of goods and services	181.4	235.2	273.3	343.0	416.6	156.2	190.7	216.4	258.6	296.2
6 <i>less</i> : Imports of goods and services	236.6	282.2	338.1	383.6	410.4	212.0	225.5	261.1	276.1	277.9
7 Gross national product at market prices	1 632.2	1 804.9	2 010.5	2 252.4	2 541.1	1 314.1	1 388.6	1 494.1	1 583.8	1 657.3
<b>2 INDUSTRIAL ORIGIN</b>										
1 Agriculture, forestry and fishing	243.5	271.6	274.2	280.3	316.5	208.3	222.3	219.7	224.9	239.3
2 Mining and quarrying	16.7	18.2	19.5	20.3	22.2	14.9	15.4	16.5	14.8	14.9
3 Manufacturing	399.1	434.3	496.4	560.0	606.6	363.7	384.4	427.2	459.2	479.4
4 Construction	78.3	87.9	102.1	112.4	119.7	68.1	72.7	80.1	82.5	81.6
5 Electricity, gas and water	29.6	33.4	40.6	48.2	55.7	27.8	30.6	36.8	40.3	44.3
6 Transportation and communication	97.8	110.7	124.3	145.1	166.2	81.5	87.6	94.4	103.1	109.3
7 Wholesale and retail sale	187.4	205.2	228.8	259.6	302.0	130.8	137.5	147.0	156.2	161.9
8 Banking, insurance and real estate	70.1	79.0	84.0	98.1	110.2	54.8	58.4	60.5	64.3	68.2
9 Ownership of dwellings	59.6	72.3	74.3	79.8	87.1	46.0	52.3	53.0	54.3	55.9
10 Public administration and defence	102.3	116.8	133.9	150.0	169.1	61.0	62.8	66.4	68.3	70.0
11 Other services	229.6	251.7	282.5	328.5	384.2	173.3	177.8	190.2	205.0	217.7
12 GDP at factor cost	1 514.0	1 681.2	1 860.6	2 082.2	2 339.4	1 230.2	1 301.8	1 391.8	1 472.9	1 542.5

Source: National Institute of Statistics.

Table A National Accounts  
Billion pesetas

	1967	1968	1969	1970	1971
3 NATIONAL INCOME					
1 Compensation of employees	807.5	877.1	988.8	1 118.0	1 270.0
<i>of which:</i>					
Wages and salaries	706.8	772.8	868.6	985.1	1 127.8
Employers' contributions to social security	100.7	104.3	120.2	132.9	142.3
2 Income from property and entrepreneurship	487.9	538.0	573.0	617.3	683.3
3 Saving of corporations	49.6	71.9	75.1	85.0	102.6
4 Direct taxes on corporations	43.8	47.3	54.1	61.2	70.0
5 Government income from property and entrepreneurship	21.6	30.5	31.3	41.9	31.8
6 <i>less:</i> Interest of the public debt	9.7	12.5	14.6	15.9	14.3
7 NATIONAL INCOME	1 400.8	1 552.1	1 707.7	1 907.5	2 143.5

Source: National Institute of Statistics.

Table B Employment and Wages

	1969	1970	1971	1970				1971				1972			
				I	II	III	IV	I	II	III	IV	I	II	III	IV
1 INDICES OF EMPLOYMENT (1962 = 100) <sup>1</sup> MONTHLY AVERAGES															
1 Industry (excluding construction)	110.0	111.9	112.9	111.4	111.8	112.0	112.3	112.4	112.6	112.9	113.8	110.2	111.1	111.5	
2 REGISTERED UNEMPLOYMENT (in thousands) END OF PERIOD															
1 Agriculture and fishing	20.4	18.6	27.9	22.8	15.0	..	18.6	21.2	15.9	19.8	27.9	26.0	13.4	16.5	
2 Construction	35.2	56.3	77.0	39.8	36.7	..	56.3	65.4	69.9	65.1	77.0	80.7	65.9	55.2	
3 Industry and services	87.3	90.8	106.7	86.0	80.1	..	90.8	96.8	102.0	103.4	106.7	113.9	106.6	101.5	
4 Total	142.9	165.7	211.6	148.6	131.8	136.8	165.7	183.4	187.8	188.3	211.6	220.6	185.9	173.2	
3 STATISTICS FROM THE QUARTERLY LABOUR EARNINGS SURVEYS <sup>2</sup> % change over the same period a year earlier															
1 Average hourly earnings	11.7	14.2	14.1	12.8	12.9	15.4	14.9	15.4	16.2	12.5	12.8	15.1	14.9	18.6	17.5
2 Total wage bill	12.1	15.7	14.4	13.3	15.0	17.1	16.6	17.0	14.7	13.8	12.9	14.5	15.8	16.2	

1 Statistics collected by "sindicatos".

2 These surveys cover about 2.9 million workers in the private non-farm sector out of a total of 6.7 million wage earners.

Sources: National Institute of Statistics—Monthly Bulletin, Indicadores Economicos and Quarterly Labour Earnings Surveys.

**Table C Manpower**  
**I LABOUR FORCE AND EMPLOYMENT**

	Thousands, 4th quarter									Annual change in per cent			% shares
	1962	1963	1964	1965	1966	1967	1968	1969	1970	Average 1962- 1969	1969	1970	1970
<b>A TOTAL LABOUR FORCE<sup>1</sup></b>	11 909	11 989	12 075	12 177	12 284	12 405	12 520	12 593	12 732	0.8	0.6	1.1	100.0
1 Agriculture	4 561	4 387	4 212	4 040	3 962	3 936	3 902	3 801	3 706	-2.6	-2.6	-2.5	29.1
2 Industry	3 081	3 171	3 262	3 360	3 415	3 434	3 474	3 561	3 650	2.1	2.5	2.5	28.7
3 Construction	884	910	936	965	1 011	1 049	1 074	1 092	1 096	3.1	1.7	0.4	8.6
4 Services	3 383	3 521	3 665	3 812	3 896	3 986	4 070	4 139	4 280	2.9	1.7	3.4	33.6
<b>B ESTIMATED UNEMPLOYMENT</b>	143	161	184	183	166	231	240	183	193	1.5 <sup>2</sup>	1.5 <sup>2</sup>	1.5 <sup>2</sup>	
<b>C TOTAL EMPLOYMENT (A—B)</b>	11 766	11 828	11 891	11 994	12 118	12 174	12 280	12 410	12 539	0.8	1.1	1.0	100.0
1 Agriculture	4 507	4 337	4 136	3 969	3 911	3 868	3 850	3 754	3 662	-2.6	-2.5	-2.5	29.2
2 Industry	3 039	3 119	3 211	3 306	3 358	3 360	3 385	3 459	3 583	1.9	3.2	3.6	28.5
3 Construction	865	883	904	934	984	1 000	1 017	1 049	1 042	2.8	3.1	-0.7	8.3
4 Services	3 355	3 489	3 640	3 785	3 865	3 946	4 028	4 112	4 252	2.9	2.1	3.4	33.9
<b>D TOTAL WAGE AND SALARY EARNERS</b>	7 226	7 257	7 509	7 413	7 561	7 607	7 733	7 903	8 066	1.3	2.2	2.1	100.0
1 Agriculture	1 632	1 467	1 295	1 163	1 143	1 107	1 091	1 061	1 046	-6.0	-2.8	-1.4	13.0
2 Industry	2 437	2 521	2 616	2 713	2 780	2 800	2 840	2 940	3 026	2.7	3.5	2.9	37.5
3 Construction	769	785	804	831	878	891	907	939	931	2.9	3.5	-0.9	11.5
4 Services	2 388	2 484	2 594	2 706	2 760	2 809	2 895	2 963	3 063	3.1	2.3	3.4	38.0

1 Including armed forces.  
2 As percentage of total labour force.  
Source: National Institute of Statistics.

Table C Manpower  
2 EMIGRATION (in thousands)

	1965	1966	1967	1968	1969	1970	1971	1972
1 Departures to Europe	74.5	56.7	25.9	65.7	100.8	97.6	113.7	103.8
<i>of which to:</i> France	8.4	8.3	6.5	25.1	32.0	22.7	24.3	21.8
Germany	41.1	26.9	3.4	23.5	42.7	40.6	30.3	23.3
Switzerland	20.1	17.9	14.4	15.6	20.6	26.7	51.8	55.7
2 Net emigration overseas	0.2	1.3	0.6	3.4	6.3	3.6		

*Source:* Instituto Español de Emigración.



Table D Public Sector Accounts  
National accounts concepts

	1967	1968	1969	1970	1971
	1 GENERAL GOVERNMENT (billion pesetas)				
1 Direct taxes	65.3	69.9	83.0	103.0	113.0
2 Indirect taxes	144.1	154.7	186.2	210.7	230.2
3 Social Security contributions	120.2	128.2	135.4	163.7	201.2
4 Other current receipts	33.6	43.4	48.0	42.2	32.2
5 Total current revenue	363.2	396.2	452.6	519.6	576.6
6 Current expenditure on goods and services	164.3	184.1	208.2	249.5	284.6
7 Current subsidies and transfers	116.0	134.2	148.5	173.4	209.7
8 Total current expenditure	280.3	318.3	356.7	422.9	494.3
9 Net current saving (5—8)	82.9	77.9	95.9	96.7	82.3
10 Capital account receipts	6.6	8.4	9.1	10.9	11.4
11 Less: Gross investment	52.2	49.5	56.1	69.0	92.6
12 Less: Capital transfers	19.6	22.8	27.8	30.5	25.7
13 Total capital expenditure	71.8	72.3	83.9	99.5	118.3
14 Overall financial surplus (+) or deficit (—)	+17.7	+14.0	+21.1	+8.0	-24.6

Source: Ministry of Finance: Public Sector Accounts.

Table D Public Sector Accounts  
National accounts concepts

	1967	1968	1969	1970	1971
2 CENTRAL GOVERNMENT ( <i>million pesetas</i> )					
1 Fiscal revenue	194 092	207 785	250 378	283 397	320 102
2 From property and entrepreneurship	13 578	22 031	20 939	29 895	22 887
3 Current transfers	6 627	5 720	7 770	8 615	9 589
4 Fees, etc.	2 996	3 266	4 045	6 695	9 567
5 Total current revenue	217 293	238 801	283 132	328 602	362 145
6 Goods and services	104 768	113 319	130 211	144 827	162 749
7 Current transfers	39 846	55 622	62 200	83 720	93 465
8 Subsidies	20 142	22 698	24 578	27 489	41 105
9 Other	-198	-337	-15	-511	419
10 Total current expenditure	164 559	191 302	216 974	255 525	297 738
11 Saving (5 less 10)	52 734	47 500	66 158	73 077	64 407
12 Capital taxes	2 812	3 444	3 834	4 306	5 044
13 Capital transfers	877	480	45	89	2
14 Total capital resources (11 to 13)	56 423	51 424	70 037	77 472	69 453
15 Gross fixed capital formation	32 619	27 871	31 241	35 726	49 883
16 Capital transfers	27 792	32 753	39 026	36 342	41 995
17 Other	1 708	1 600	1 172	3 201	4 401
18 Total capital uses (15 to 17)	62 119	62 224	71 439	75 269	96 279
19 Overall financial surplus (+) or deficit (-) (14 less 18)	-5 696	-10 800	-1 402	2 203	-26 826
3 LOCAL GOVERNMENT ( <i>million pesetas</i> )					
1 Fiscal revenue	11 718	13 540	13 324	16 688	19 402
2 From property and entrepreneurship	2 223	2 056	2 699	3 154	3 763
3 Current transfers	14 862	19 721	22 429	27 068	30 437
3.1 from Central Government budget	(14 139)	(18 991)	(22 219)	(26 904)	(30 322)
4 Other	740	2 726	3 459	2 088	1 710
5 Total current revenue (1 to 4)	29 543	38 042	41 911	48 998	55 312

6	Goods and services	20 484	24 247	28 225	34 245	39 985
7	Current transfers	710	1 164	1 679	2 226	2 363
8	Other	1 454	3 134	2 448	2 611	3 444
9	Total current expenditure (6 to 8)	22 648	28 545	32 352	39 082	45 792
10	Saving (5 less 9)	6 895	9 497	9 559	9 916	9 521
11	Capital taxes	3 681	4 516	3 859	6 127	6 336
12	Capital transfers	522	472	605	532	786
13	Total capital resources (10 to 12)	11 099	14 486	14 023	16 575	16 643
14	Gross fixed capital formation	8 358	9 215	15 048	13 364	17 311
15	Capital transfers	762	73	4	77	82
16	Other	388	3 29	482	912	1 668
17	Total capital uses (14 to 16)	9 507	9 616	15 534	14 353	19 061
18	Overall financial surplus (+) or deficit (—) (13 less 17)	+1 592	+4 870	—1 511	2 222	—2 418

4 SOCIAL SECURITY INSTITUTIONS (*million pesetas*)

1	Social security contributions	120 188 <sup>1</sup>	128 207	147 320	163 703	201 158
2	Transfers	3 911	3 633	8 537	9 023	15 124
3	Other current receipts	3 104	3 358	4 343	5 247	5 324
4	Total current receipts	127 203	135 198	160 200	177 973	221 606
5	Current expenditure on goods and services	28 864	35 510	41 555	53 738	67 139
6	Benefits	68 223 <sup>1</sup>	77 993	94 092	108 607	143 271
7	Current subsidies and transfers	6 020	670	3 926	1 237	1 849
8	Total current expenditure	103 107	114 173	139 573	163 582	212 259
9	Net current saving	24 096 <sup>1</sup>	21 025	20 627	14 391	9 347
10	Gross investment	1 964	1 880	2 466	5 567	6 166
11	Overall financial surplus (+) or deficit (—)	+22 132 <sup>1</sup>	+19 160 <sup>2</sup>	+18 631 <sup>3</sup>	+9 202 <sup>4</sup>	+3 181

1 Family allowances, which were paid directly by enterprises to employees, have been routed as from 1967 through social security contribution and transfers.

2 Including 15 millions of capital transfers.

3 Including 471 millions of capital transfers.

4 Including 377 millions of capital transfers.

Source: Ministry of Finance: Public Sector Accounts.

Table E Fiscal Receipts  
Billion pesetas

	1967	1968	1969	1970	1971	1972	1973
	Actual					Forecast	
<b>I DIRECT TAXES:</b>							
1 Tax on income from agricultural property	0.9	0.9	0.9	1.2	1.6	1.6	1.8
2 Tax on income from urban property	3.3	3.2	4.0	4.5	5.3	6.6	7.8
3 Tax on salaries and professional earnings	14.1	14.2	17.1	21.4	27.4	32.8	42.5
4 Tax on income from capital	5.5	6.3	7.3	8.6	10.5	12.0	15.6
5 Corporation tax	18.7	19.8	25.2	27.3	31.7	37.5	38.0
6 Tax on business licences and on personal profits	7.5	8.5	9.1	9.8	11.0	12.5	14.2
7 Surtax on personal incomes	2.5	2.9	3.2	3.3	4.0	4.5	7.0
8 Inheritance and estate tax	2.5	3.1	3.5	3.9	4.5	5.1	6.3
9 Other	1.6	1.7	2.0	2.0	2.6	2.4	2.5
<b>TOTAL DIRECT TAXES</b>	<b>56.6</b>	<b>60.6</b>	<b>72.3</b>	<b>82.0</b>	<b>98.6</b>	<b>115.0</b>	<b>135.7</b>
<b>II INDIRECT TAXES:</b>							
1 Custom duties and fiscal duties on imports	26.5	23.9	28.0	28.5	24.5	32.7	36.1
2 General tax on expenditure <sup>1</sup>	37.6	43.0	50.8	59.7	68.9	80.5	93.4
3 Luxury taxes	24.7	27.5	32.9	38.9	43.8	53.5	62.7
4 Fiscal monopolies	17.4	18.5	23.4	23.4	21.8	28.7	31.9
5 Transaction taxes and stamp duties	12.9	15.2	19.2	22.9	25.7	29.6	36.6
6 Other	0.6	—	0.6	0.7	0.2	0.1	0.1
<b>TOTAL INDIRECT TAXES</b>	<b>119.7</b>	<b>128.1</b>	<b>154.9</b>	<b>174.1</b>	<b>184.9</b>	<b>225.1</b>	<b>260.8</b>
<b>TOTAL TAXES</b>	<b>176.3</b>	<b>188.7</b>	<b>227.2</b>	<b>256.1</b>	<b>283.5</b>	<b>340.1</b>	<b>396.5</b>

1 It includes the special taxes on expenditure and, after 1964, it includes also the new general turnover tax.

Source: Ministry of Finance.

Table F Money and Credit  
Billion pesetas

	1970				1971				1972				Out- standing as at 31 Dec. 1972
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
1 CONSOLIDATED ACCOUNT OF THE BANKING SYSTEM <sup>1</sup> (quarterly changes)													
<b>I Liabilities</b>													
1 Money supply	-43.6	1.8	16.2	66.9	-33.3	55.0	35.5	117.9	-28.4	63.8	40.6	141.5	1 132.7
2 Quasi-money	37.6	44.9	59.2	72.8	63.5	59.7	80.9	88.5	75.5	70.2	84.4	107.2	1 841.1
3 Total	-6.1	46.7	75.4	139.7	30.2	114.8	116.4	206.4	47.1	134.0	125.0	248.7	2 973.8
4 Bonds	2.3	1.6	-0.4	1.1	0.5	-1.3	0.5	-0.3	2.1	-5.5	1.7	1.8	36.1
Liabilities = Assets	-3.8	48.3	75.0	140.8	30.7	113.5	116.9	206.1	49.2	128.5	126.7	250.5	3 009.9
<b>II Assets</b>													
5 Public sector	6.6	-10.5	15.0	12.2	7.6	-18.4	25.6	13.4	26.5	-13.5	-5.3	16.8	291.2
(a) Net advances to	3.8	-8.3	11.7	2.5	-0.5	-24.4	7.3	-6.8	7.2	-24.3	-12.3	15.2	94.7
(i) Central Government	1.6	-0.9	0.5	1.6	8.2	-23.3	13.9	3.6	-0.4	-18.7	-10.1	7.7	21.9
(ii) Autonomous Institutions <sup>3</sup>	2.2	-7.4	11.2	0.9	-7.6	-1.0	-6.3	-10.4	7.6	-5.6	-2.2	7.5	72.8
(b) Purchase of Government bonds	6.5	1.9	7.6	13.2	10.6	10.4	20.6	29.8	23.0	12.4	10.6	10.7	472.5
(c) less: Grants to official credit institutions	-3.7	-4.1	-4.3	-3.6	-3.5	-4.5	-2.6	-9.6	-3.5	-1.8	-3.4	-9.1	-276.0
6 Private sector	26.0	64.2	33.8	102.7	30.8	91.1	47.4	145.2	28.6	126.0	103.6	196.8	2 517.8
(a) Advances and bills discounted <sup>3</sup>	22.3	52.5	23.2	88.6	21.7	71.3	47.3	125.1	30.2	105.5	99.6	181.0	2 210.6
(b) Bonds and shares <sup>4</sup>	3.7	11.7	10.6	14.2	9.2	19.7	0.1	20.1	-1.6	20.6	3.9	15.8	307.2
7 External sector	0.5	3.8	31.0	11.1	11.9	16.7	38.0	17.2	11.0	27.2	29.6	14.1	265.4
8 Other assets and liabilities (net) <sup>5</sup>	-38.0	-9.2	-4.8	14.8	-19.6	24.1	5.9	30.3	-17.0	-11.3	-1.1	22.8	-64.5

1 Bank of Spain, commercial banks, industrial banks, saving banks and official credit institutions.

2 Including the Grain Agency.

3 Including the net interbank position.

4 Figures affected as from December 1966 by the revaluation of assets.

5 Including import deposits as from December 1969.

Source: Bank of Spain.

Table F Money and Credit

	1969	1970	1971	1972		
<b>2 BANK LIQUIDITY</b>						
<i>Changes, in billion pesetas :</i>						
1 Cash reserves	1.7	27.3	46.7	10.1		
2 Central bank credit received	35.3	2.5	-37.9	10.2		
3 Public securities	37.0	22.4	53.6	30.2		
4 Private securities	7.6	6.4	9.0	17.1		
<i>Ratios to deposits; end of period, per cent<sup>1</sup></i>						
1 Cash			10.8	7.8		
2 Investment			20.9	22.5		
3 Public securities			16.6	16.6		
<b>3 OFFICIAL CREDIT INSTITUTIONS</b>						
<i>Changes, in billion pesetas</i>						
<i>Assets:</i>						
1 Cash	1.0	2.4	6.1	-1.7		
2 Credit to public sector <sup>2</sup>	5.4	3.8	7.1	7.4		
3 Credit to private sector <sup>2</sup>	27.5	10.8	11.7	-4.8		
<i>Assets = Liabilities:</i>	33.9	17.0	24.9	0.9		
4 Transfers from the Treasury	35.2	15.7	20.2	17.8		
5 Advances from the banking system	0.1	0.1	0.1	-4.8		
6 Other (net) <sup>3</sup>	-1.4	1.2	4.6	-12.1		
<b>4 CAPITAL MARKET</b>						
				January-October		
<i>Gross Issues (billion pesetas) :</i>						
1 Public securities	56.0	36.2	77.4	21.7	52.4	49.5
<i>of which: Treasury</i>	43.3	22.8	68.1	11.8	44.2	40.5
INI	12.7	13.2	8.4	9.9	8.2	9.0
2 Private securities	93.4	117.8	116.6	95.7	86.3	108.8
<i>of which: Bonds</i>	42.2	51.5	43.7	38.7	32.3	48.9
Shares <sup>4</sup>	51.2	66.2	72.9	57.0	54.0	59.9
3 Total	149.4	154.0	194.0	117.4	138.7	158.3
				End of October		
<i>Prices Indice (end of period)</i>						
Average January-June 1936 = 100						
1 Shares	260.8	248.1	228.1	233.1	228.2	259.8
2 Private bonds	98.3	92.7	90.8	90.5	91.5	95.3
3 Public bonds	129.3	126.8	132.2	122.9	131.1	143.9
<p>1 November, commercial banks only. The legal ratios fixed as from June 1971 for cash are 7.5%; for investment and public securities are respectively, from February 1973, 21% and 14%.</p> <p>2 Credit used, plus interest and reimbursements due and some small amounts of securities.</p> <p>3 Including bonds.</p> <p>4 Excluding issues of paid-up shares.</p> <p>Sources: Bank of Spain and Institute of Statistics.</p>						

**Table G Balance of Payments**  
Million dollars

	1966	1967	1968	1969	1970	1971 <sup>1</sup>
1 Imports (fob)	3 300	3 200	3 242	3 865	4 357	4 577
2 Exports (fob)	1 308	1 419	1 667	1 994	2 483	2 978
3 TRADE BALANCE	-1 992	-1 781	-1 575	-1 871	-1 874	-1 599
4 Foreign travel	1 202	1 110	1 111	1 195	1 543	1 878
5 Other services	-193	-236	-226	-249	-282	-191
6 Workers' remittances	346	320	319	400	467	548
7 Other private transfers	71	126	129	150	192	224
8 Official transfers	2	4	—	-18	—	-4
9 Total services and transfers (4 to 8)	1 428	1 325	1 333	1 478	1 952	2 455
10 CURRENT BALANCE	-564	-456	-242	-393	78	856
11 Direct investment	128	180	143	187	178	176
12 Portfolio investment	55	50	34	10	-13	25
13 Real estate purchases	54	52	89	106	144	261
14 Eximbank and Development Loan Fund	27	60	57	36	3	-1
15 Commercial credits	-61	12	-24	-10	52	-67
16 Other private capital	99	148	137	151	332	208
17 Official capital movements	41	33	145	24	-27	-103
18 BALANCE OF CAPITAL MOVEMENTS NON-MONETARY SECTORS	343	535	581	506	669	499
19 Errors and omissions (including short-term capital)	33	-215	-268	-342	65	-98
20 Monetary movements (increase in assets = —) of which:	188	136	-71	230	-813	-1 257
21 Changes in reserves	228	-12	-46	261	-809	-1 358
22 IMF position	-25	166	—	—	-45	-59
23 Liabilities in pesetas to US Government	-5	—	—	—	—	—
24 Clearing balances and other official	-23	-31	-15	4	-8	18
25 Convertible peseta accounts	13	13	-10	-34	51	142

1 Provisional estimates.

Source: Ministry of Commerce.

Table H Foreign Trade  
Billion pesetas

	1969	1970	1971	1972	1969	1970	1971	1972
	1 IMPORTS				2 EXPORTS			
1 Agricultural and food products	51.3	53.3	62.3	73.7	45.5	60.1	64.9	70.1
2 Minerals	8.3	11.0	12.2	15.5	3.1	3.5	4.0	4.1
3 Oil products	37.2	44.1	57.0	63.1	8.5	9.2	8.8	8.9
4 Chemicals, plastics and rubber	37.9	41.1	43.5	54.7	10.3	12.3	15.6	18.1
5 Skins and leather	5.4	3.4	4.5	9.1	2.6	3.2	4.3	6.2
6 Wood and cork	6.6	7.0	7.5	9.1	2.9	3.4	4.0	4.7
7 Pulp, paper and books	7.3	8.9	8.6	11.3	4.8	5.9	7.5	9.4
8 Raw cotton, textiles and clothing	14.1	13.9	14.4	18.9	9.4	8.7	11.2	15.4
9 Glass and pottery	3.1	3.3	3.4	4.8	1.9	2.5	3.9	4.4
10 Metals and metal products	38.4	47.3	34.3	39.7	9.9	13.4	19.0	24.4
11 Machinery and appliances	59.6	66.7	70.3	90.8	13.0	17.1	22.5	23.9
12 Transport equipment	12.3	16.0	10.9	21.5	10.1	15.3	20.9	29.0
<i>of which</i> : Cars, lorries and tractors	6.8	7.8	7.3	11.3	3.7	5.3	8.4	10.1
Aircraft (imports) Ships (exports)	3.8	6.0	1.2	8.1	4.3	8.7	10.5	16.7
13 Other	14.5	16.2	18.5	25.4	11.0	12.5	19.0	26.6
14 Total	296.2	332.3	347.4	437.6	133.0	167.1	205.6	245.2
15 Total less agricultural and food products	244.9	279.0	285.1	363.9	87.5	107.0	140.7	175.1

Source: Customs Office.



**Table H Foreign Trade**  
**3 EXPORTS BY GROUPS OF PRODUCTS AND DESTINATION**  
 Billion pesetas

	To OECD countries			To Non-OECD countries <sup>2</sup>			General total	
	Agr. prod. <sup>1</sup>	Other	Total	Agr. prod. <sup>1</sup>	Other	Total		
1968	32.1	45.9	78.0	8.6	24.6	33.2	111.2	
1969	36.1	54.5	90.6	8.1	34.3	42.4	133.0	
1970	48.8	70.6	119.4	9.8	37.8	47.6	167.0	
1971	54.3	97.4	151.7	9.0	44.9	53.9	205.6	
1972	58.5	122.8	181.3	10.0	53.9	63.9	245.2	
1970	I	12.8	14.9	27.7	2.4	8.4	10.8	38.5
	II	12.8	17.8	30.6	2.8	9.7	12.5	43.1
	III	8.9	15.7	24.6	2.3	8.6	10.9	35.5
	IV	14.3	22.2	36.5	2.3	11.1	13.4	49.9
1971	I	15.9	21.7	37.6	2.0	9.7	11.7	49.3
	II	13.7	25.0	38.7	2.1	11.4	13.5	52.2
	III	9.3	22.7	32.0	2.1	9.9	12.0	44.0
	IV	15.4	28.0	43.4	2.8	13.9	16.7	60.1
1972	I	18.0	29.7	47.7	2.5	13.6	16.1	63.8
	II	12.5	30.5	43.0	2.2	14.6	16.8	59.8
	III	9.7	29.7	39.4	2.4	12.1	14.5	53.9
	IV	18.3	32.9	51.2	2.9	13.6	16.5	67.7

<sup>1</sup> SITC sections 0, 1 and 4.

<sup>2</sup> Including unspecified.

Source: Customs Office.

Table I Official Foreign Reserves  
Million dollars

	1968		1969		1970		1971		1972	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
1 Gold	785	785	785	784	784	498	498	498	541	541
2 Convertible currency	269	364	333	497	560	1 231	1 675	2 520	3 311	4 221
3 Net IMF position	—	—	—	—	4	45	104	104	113	113
4 Special drawing rights	—	—	—	—	42	44	81	87	140	140
5 Total foreign assets	1 054	1 149	1 118	1 281	1 390	1 818	2 358	3 209	4 105	5 015
6 less: Foreign liabilities	95	54	203	448	333	87	44	17	9	9
7 Official foreign reserves	959	1 095	915	833	1 057	1 731	2 314	3 192	4 096	5 006
Pro memoria										
Non convertible currencies (net)	56	56	44	53	81	62	42	42	18	1

Source: Bank of Spain.

*INTERNATIONAL COMPARISONS*

BASIC STATISTICS : INTERNATIONAL COMPARISONS

			Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia		
POPULATION	Net average annual increase	Mid-1971	12 728	7 456	9 673 <sup>3</sup>	21 595	4 968	4 628 <sup>1</sup>	51 250	61 284	8 769 <sup>6</sup>	2.06	2 971	53 899	104 650	342	13 194	3 905	8 870	34 003	8 105	6 324	36 160	55 668	207 049	20 550		
		1961 to 1971)	1.93	0.53	0.52	1.69	0.75	0.35	1.05	0.87	0.43	1.42	0.53	0.65	1.07	0.76	1.26	0.77	-0.07	1.06	0.75	1.41	2.51	0.50	1.21	1.00		
EMPLOYMENT	Total civilian Agriculture Industry <sup>7</sup> Other	1971	Thousands	5 425	3 176	3 788	8 079	2 338	2 139	20 518	26 673	3 275	79 <sup>13</sup>	1 063	18 700	51 140	148	4 604	1 497 <sup>13</sup>	3 033	12 442	3 860	3 005 <sup>13</sup>	(13 639) <sup>13</sup>	24 329	79 120	7 651 <sup>5</sup>	
			% of total	38.8	41.9	44.2	31.0	37.2	35.2	38.6	50.1	24.6	36.8 <sup>13</sup>	30.9	44.1	36.0	47.3	38.0	37.3 <sup>13</sup>	36.3	37.5	37.6	48.3 <sup>13</sup>	(11.8) <sup>13</sup>	45.7	(31.0)	50.4	
				53.2	40.8	51.4	61.5	51.9	43.6	48.0	41.5	38.1	44.4 <sup>13</sup>	42.6	36.4	48.1	42.5	55.1	48.8 <sup>13</sup>	32.6	33.9	54.6	44.1 <sup>13</sup>	(16.7) <sup>13</sup>	51.6	(64.7)	49.6	
				8.0	17.3	4.4	7.5	10.9	21.2	13.4	8.4	37.3	18.8 <sup>13</sup>	26.5	19.5	15.9	10.2	6.9	13.9 <sup>13</sup>	31.1	28.6	7.8	7.6 <sup>13</sup>	(71.5) <sup>13</sup>	2.7	4.3	50.4	
PRODUCTION	GNP per head GDP by sector: Agriculture Industry Other	1971	\$ <sup>8</sup>	3 080	2 210	3 010	4 240	3 500	2 430	3 180	3 550	1 220	2 350 <sup>13</sup>	1 550	1 880	2 150	3 050	2 820	3 310	770	1 070	4 400	3 880	360	2 460	5 160	561 <sup>2</sup>	
			% of total	7.2 <sup>2 4 13</sup>	6.0 <sup>11</sup>	3.9	4.4	7.5	13.7	4.4	6.0 <sup>11 13</sup>	2.8 <sup>11</sup>	19.5	16.4	11.5	6.5 <sup>11 13</sup>	11.5	6.5 <sup>11 13</sup>	4.1 <sup>13</sup>	6.2 <sup>13</sup>	5.3	16.2	13.5	4.4 <sup>11</sup>	6.4 <sup>10</sup>	30.2 <sup>12</sup>	2.9 <sup>14</sup>	19.3 <sup>13</sup>
				38.1 <sup>2 4 13</sup>	49.0 <sup>11</sup>	43.8	37.0	38.7	42.3	48.4 <sup>11 13</sup>	53.5 <sup>11</sup>	30.5	44.3	35.6	44.4 <sup>11 13</sup>	44.3	44.4 <sup>11 13</sup>	56.9 <sup>13</sup>	42.0 <sup>13</sup>	37.8	44.3	34.4	39.3 <sup>11</sup>	49.6 <sup>10</sup>	25.7 <sup>12</sup>	43.5 <sup>14</sup>	33.1 <sup>11</sup>	41.1 <sup>13</sup>
INDICATORS OF LIVING STANDARDS	GNP <sup>23</sup> annual volume growth	1970 1965 to 1970	%	4.3 <sup>4 15</sup>	7.1	6.1	3.2 <sup>4</sup>	3.1	7.9	6.0	5.4	8.0	6.7	5.1	10.5	3.5	5.6	3.7	7.5	5.9	5.9	4.6 <sup>4</sup>	4.4	2.0 <sup>4</sup>	-0.6	...		
				5.8 <sup>4 15</sup>	5.1	4.6	4.6 <sup>4</sup>	4.4	5.0	5.8	4.6	7.0	1.8	4.0	6.0	12.1	3.6	5.2	4.6	6.0	6.5	3.9 <sup>4</sup>	3.8	7.0	2.4 <sup>4</sup>	3.2	...	
GROSS FIXED INVESTMENT <sup>23</sup> Total	Machinery and equipment Residential construction Other construction	1966-70 average	% of GNP	17.4 <sup>4 15</sup>	27.8	21.2	23.5 <sup>24</sup>	23.2	24.6	25.8	25.4	27.2	29.0	21.6	8.6 <sup>1</sup>	36.6	24.1	27.4	28.9	18.6	24.8	24.0	27.2	25.6	18.6	16.6 <sup>26</sup>	...	
				8.9	12.0	9.1	9.5	11.8	8.8	11.4	11.4	11.0	8.0	10.5	8.0	10.5	7.9	30.1 <sup>27</sup>	7.0	12.9	14.7	7.6	13.0	8.2	9.5	9.2	7.1 <sup>26</sup>	...
				4.8	15.8 <sup>28</sup>	5.1	3.6	4.4	5.6	6.6	5.5	6.7	6.0	3.9	6.2	6.5	6.2	4.9	5.3	4.8	3.4	4.2	6.1	6.9	5.3	3.5	3.3	...
				3.7	— <sup>28</sup>	7.0	10.4	7.0	10.2	7.9	8.5 <sup>29</sup>	9.9	15.0	7.3	5.6	— <sup>27</sup>	5.6	— <sup>27</sup>	12.2	9.2	9.4	7.6	7.7	9.7	10.8	...	6.1	...
				26.3	28.3	23.5	24.7	18.9	28.5	26.5	26.9	21.0 <sup>49</sup>	...	19.8 <sup>49</sup>	...	23.4	38.7	28.1 <sup>25</sup>	26.8	28.5	...	22.7	23.1	28.4 <sup>49</sup>	18.6 <sup>49</sup>	18.5	17.9	...
				28.9	35.9 <sup>13</sup>	35.2	36.3	37.5 <sup>3</sup>	38.0	37.2 <sup>13</sup>	38.4	27.2 <sup>2</sup>	33.8 <sup>18</sup>	33.6	33.5	21.9 <sup>13</sup>	34.8 <sup>18</sup>	44.1 <sup>13</sup>	47.8	...	22.6	49.1 <sup>31</sup>	26.5 <sup>2</sup>	19.5 <sup>2</sup>	39.7 <sup>13</sup>	30.3	32.6 <sup>18</sup>	...
				5.3 <sup>34</sup>	8.2 <sup>33</sup>	8.2	7.3 <sup>34</sup>	10.9 <sup>35</sup>	8.4	9.2 <sup>36</sup>	7.4 <sup>34</sup>	9.5 <sup>34</sup>	13.5 <sup>37</sup>	10.8 <sup>34</sup>	8.2 <sup>38</sup>	14.7 <sup>39</sup>	...	8.9 <sup>40</sup>	8.8 <sup>41</sup>	9.7 <sup>33</sup>	12.8 <sup>42</sup>	8.9 <sup>43</sup>	5.2 <sup>36</sup>	...	6.7 <sup>45</sup>	5.3 <sup>34</sup>	...	
				3.1	3.2	3.5	3.9	6.4	4.7	4.3	2.7	2.5	12.9	5.3	2.9	5.5	3.0	4.9	4.9	6.4	5.1	4.4	4.4	3.5	8.1	4.6	4.2	10.6
				3.6	3.3	3.4	4.1	6.3	5.6	4.8	3.4	2.6	12.4	5.8	3.4	4.7	4.9	4.8	5.0	4.8	5.1	4.3	4.0	5.5	4.6	4.0	4.0	...
			FOREIGN TRADE	Imports <sup>46</sup> Exports <sup>46</sup>	1970	\$ million <sup>8</sup>	5 678 <sup>15</sup>	4 350	11 680	15 800 <sup>18</sup>	5 000	3 130	24 580	40 270	1 930 <sup>2</sup>	230	1 730	18 170	20 920	810	16 700	5 000	1 910	5 500	6 080 <sup>18</sup>	6 280 <sup>2</sup>	1 120	28 250
% of GNP	15.8	30.3				45.1	25.3	32.1	30.6	16.6	21.5	48.3	44.5	48.3	44.5	19.6	10.6	81.1	53.4	43.9	30.6	17.1	23.8	33.4	8.9	23.3	6.0	21.0 <sup>9</sup>
\$ million <sup>8</sup>	5 631 <sup>15</sup>	4 390				12 470	15 490 <sup>18</sup>	4 540	2 900	25 140	43 270	1 090 <sup>2</sup>	240	1 530	240	1 530	18 790	23 110	880	16 310	4 830	1 540	4 940	5 920 <sup>18</sup>	7 120 <sup>2</sup>	940	30 520	62 900
	15.6	30.5	48.2	24.8	29.1	28.3	17.0	23.1	12.9	50.0	39.3	20.2	11.7	20.2	11.7	88.0	52.2	42.4	24.6	15.3	23.1	37.8	7.5	25.2	6.4	19.7 <sup>9</sup>		
BALANCE OF PAYMENTS	Current balance Official reserves <sup>47</sup> , end-1971: per cent of imports of goods in 1971 Change	1966-70 average Jan. 1972 - Jan. 1973	% of GNP	-3.3 <sup>16</sup>	-0.5	1.7 <sup>21</sup>	-0.3	-2.6	-1.2	-0.4	1.0	-3.6	-5.7	-2.9	2.5	-0.9	—	-0.6	-0.5	2.5	-1.2	-0.6	1.6	-1.5	0.2	0.1	...	
			%	70.7	56.4	27.4 <sup>21</sup>	36.9	15.9	-25.6	38.8	53.5	25.0	33.4	54.2	42.5	77.9	—	25.0	28.2	109.8	65.8	15.7	81.7	70.9	27.5	28.9	6.1	
			\$ million	2 695	326	514 <sup>21</sup>	168	13	-116	1 618	4 190	498	9	41	-995	1 899	—	910	129	367 <sup>48</sup>	1 781	431	104	625	-1321	-906	448	
NET FLOW OF RESOURCES TO DEVELOPING COUNTRIES <sup>50</sup>	1971	% of GNP	1.00	0.56	1.03	0.82	0.80	— <sup>51</sup>	1.02	0.88	— <sup>52</sup>	— <sup>51</sup>	— <sup>51</sup>	0.85	0.96	— <sup>51</sup>	1.63	0.51	1.56	— <sup>53</sup>	0.69	[0.93]	— <sup>52</sup>	1.14	0.67	— <sup>53</sup>		
EXPORT PERFORMANCE <sup>53</sup>	Growth of markets <sup>54</sup> Gains or losses of market shares <sup>55</sup>	1970 to 1971 1960-61 to 1970-71 (average) 1970 to 1971 1960-61 to 1970-71 (average)	%	8.3	10.7	12.2	16.5	10.9	10.1	10.6	11.4	11.1	...	14.6	12.4	13.8	—	11.9	10.8	7.2	11.9	10.6	10.9	11.6	11.5	...		
			%	1.2	-0.8	-6.1 <sup>21</sup>	-5.7	-1.0	-7.9	3.8	2.8	-8.0	...	11.9	...	8.5	10.9	10.1	—	11.1	10.2	10.6	10.5	11.1	10.8	9.8	...	
			%	...	-1.5	0.5 <sup>21</sup>	-2.0	-1.6	-2.0	1.0	1.0	0.3	...	1.2	...	1.2	2.8	7.9	—	0.8	0.5	1.1	3.4	-0.1	-0.3	-4.2	-2.9	-2.1

1 Does not include total net migration between Finland and the other Nordic countries.  
2 1969.  
3 Adjusted data on the census taken on 31.12.1970.  
4 GDP in purchasers' values.  
5 Private and socialised sector.  
6 Census results on 14.3.1971.  
7 According to the definition used in OECD Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).  
8 At current prices and exchange rates.  
9 1967.  
10 The estimates for GDP by sector for Switzerland have been published in "La Vie économique", November 1969.  
11 GDP at market prices.  
12 Net domestic product.  
13 1970.  
14 Including stock appreciation.  
15 Fiscal year-Beginning July 1st.  
16 1962-1967.  
17 1965.  
18 1968.  
19 1966.  
20 1964.  
21 Including Luxembourg.  
22 Dwellings started.  
23 At constant (1963) prices.  
24 Excluding transfer costs of land and existing assets.  
25 1964-1968.  
26 Government and government enterprise expenditure on machinery and equipment is included in government current expenditure.  
27 "Other construction" included under "machinery and equipment". Work in progress on heavy equipment and ships for the domestic market are included in fixed asset formation.  
28 "Other construction" included in "residential construction".  
29 Including transfer costs of land.  
30 General government.  
31 Including depreciation.  
32 Industry.  
33 Monthly.  
34 Manufacturing.  
35 Including bonuses.  
36 Hourly rates in manufacturing.  
37 Hourly wages rates, unskilled workers.  
38 Hourly rates in manufacturing, excluding family allowances.  
39 Monthly earnings in manufacturing. Cash payments including bonuses, regular workers.  
40 Hourly rates in industry, males.  
41 Males.  
42 Manufacturing, including salaried employees.  
43 Mining and manufacturing, males.  
44 Hourly rates.  
45 Hourly rates in manufacturing, males.  
46 Goods and services, including factor income.  
47 Including reserve position in the IMF and special drawing rights.  
48 December 1971 - December 1972.  
49 1965-1969.  
50 According to the DAC definition. Including flows to multilateral agencies and grants by voluntary agencies.  
51 Not Development Assistance Committee member.  
52 Considered as a developing country for purposes of DAC reporting.  
53 Values, percentage change. Figures are subject to many limiting factors. For an explanation see OECD Economic Outlook, simple definition, December 1970, pp. 65 and 69.  
54 The growth which would have occurred in a country's exports if it had exactly maintained its share in total OECD exports to each of 19 broad geographical zones.  
55 The difference between the growth rates of markets and exports.  
Note: Figures within brackets are estimates by the OECD Secretariat.  
Sources: Common to all subjects and countries, except Yugoslavia (for special national sources see above): OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Balance of Payments, Observer, DAC and Statistics of Foreign Trade (Series A); Office Statistique des Communautés Européennes, Statistiques de base de la Communauté; IMF, International Financial Statistics; UN, Statistical Yearbook.

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