

OECD
ECONOMIC SURVEYS
1981-1982

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

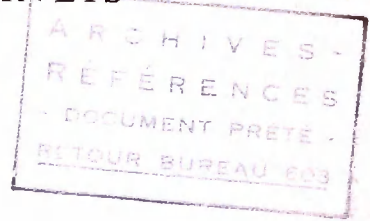
SPAIN

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

MAY 1982



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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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BASIC STATISTICS OF SPAIN

THE LAND

Area (1 000 sq. km)	504.8	Major cities, 31-12-70 census, thousands inhabitants:	
Agricultural area (1 000 sq. km) 1978	275.8	Madrid	3 146
		Barcelona	1 745
		Valencia	654
		Sevilla	548

THE PEOPLE

Population, 1-7-81, thousands	37 553	Civilian employment, 3rd quarter 1981, thousands	11 009
Number of inhabitants per sq. km	74	By sector (percentage):	
Net natural increase (1980, thousands)	278	Agriculture	18.1
Net migration (1978, thousands)	30	Industry	35.3
		of which: Construction	8.6
		Services	46.5

PRODUCTION

Gross domestic product, 1980 (billion pesetas)	15 076	Gross domestic product at factor cost by origin, in 1980 (percentages):	
GDP per head, (1980 US \$)	5 648	Agriculture	7
Gross fixed investment:		Industry and construction	36
Per cent of GDP (1980)	19	Services	57
Per head (US \$) 1980	1 080		

THE GENERAL GOVERNMENT

Public consumption, in 1980 (percentage of GDP)	11.3	Fiscal revenue, in 1979 (percentage of GDP)	22.0
Fixed investment in 1979 (percentage of gross fixed capital formation)	7.8	General government deficit, in 1979 (percentage of GDP)	-1.8

FOREIGN TRADE

Exports of goods and services, 1980 (billion US \$)	20.8	Imports of goods and services, 1980 (billion US \$)	34.2
Exports of goods and services as a percentage of GDP, 1980	9.9	Imports of goods and services as a percentage of GDP, 1980	16.3
Exports 1980, percentage of merchandise exports, customs basis:		Imports 1980, percentage of merchandise imports, customs basis:	
Foodstuffs	18.0	Foodstuffs	12.2
Consumer goods	25.5	Consumer goods	8.9
Raw materials and intermediate goods	38.1	Raw materials and intermediate goods	24.5
Capital goods	18.3	Fuel	38.5
		Capital goods	15.9

THE CURRENCY

Monetary unit: Peseta		Currency units per US \$, average of daily figures: Year 1981	71.7
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Note: An international comparison of certain basic statistics is given in an annex table.

*The annual review of Spain
by the OECD Economic and Development Review Committee
took place on 1st April 1982.*

INTRODUCTION

Significant progress has been made over the last few years in correcting underlying imbalances that had developed in the second half of the 1970s. An important deceleration in the growth of unit labour costs has been achieved, external competitiveness has improved, dependence on imported energy has been reduced owing largely to the adjustment of domestic energy prices and some industrial restructuring has taken place. As a result, following a declining trend, non-residential investment has started to recover, while gains of export market shares have been made. However, in spite of these positive features the macro-economic performance has remained disappointing partly influenced by the weak trend of activity in the rest of the OECD area. In the three years to 1981 real GDP has increased by less than 1 per cent a year on average, reflecting the sluggish growth of domestic demand. Employment has continued to fall, leading to an alarming rise in unemployment to one of the highest rates among Member countries. The rate of inflation has remained relatively high, but its underlying deceleration has continued, allowing for the movements of food and energy prices. Since 1980, the current external balance has also shifted back into a significant deficit; this was mainly due to the impact of the second oil shock but should, nevertheless, be viewed against the background of weak domestic demand.

Fiscal policy has retained an expansionary stance since 1980, with a view to stimulating activity through higher investment and containing the rise in unemployment, while the burden of the fight against inflation was left to monetary policy. This policy mix is expected to remain basically unchanged in 1982. However, given the rising public sector deficit, problems of monetary management have been encountered. In order to improve the trade-off between inflation and unemployment the authorities have succeeded in obtaining the social partners' consensus to some cut in real wages in 1982 through a tripartite agreement (The National Agreement on Employment, or ANE). For its part, the government has committed itself to fulfill certain employment objectives. Assuming a moderate recovery in the rest of the OECD area as from the second half of 1982 and taking account of the weak trend in raw material and oil prices, the situation of the Spanish economy is expected to improve somewhat in the next eighteen months or so, with more sustained economic growth, a significant deceleration in the rate of inflation and some reduction in the current external deficit. Unemployment is still forecast to rise in 1982 with, however, some modest decline taking place next year.

Developments in 1981 covering both domestic trends and the balance of payments are examined in the first part of the present Survey. Part II deals with recent policy orientation, including some brief considerations on the relationship between monetary, exchange rate and fiscal policies. Part III reviews the progress achieved so far in correcting structural imbalances, while trying also to identify areas in which further efforts are required or where new problems have emerged. The main issues discussed are the wage-price relations, labour costs

and employment, energy dependence and industrial restructuring and public finance problems. Part IV assesses the country's economic prospects over the next eighteen months or so and concludes the Survey with a discussion of some main policy issues.

I. RECENT DEVELOPMENTS

Demand and output

Despite the expansionary stance of policy, continued strength of equipment investment and a recovery of exports, economic growth weakened in 1981, influenced by the fall in agricultural production and a deterioration in the terms of trade corresponding to about 2½ per cent of GDP. According to preliminary estimates real GDP may have increased by around ¼ per cent with total domestic demand falling by 2 per cent and the external sector making a somewhat larger positive contribution¹.

A decline in private consumption and in residential construction together with a running down of inventories were the main elements behind the weakness of domestic demand. Slack household expenditure can be largely attributed to the negative growth of real disposable income, due mainly to the continuing fall in dependent employment. The rise in the tax burden was more than offset by a large increase in transfers. The decline of real household disposable income, high interest rates and an excess housing stock² were responsible for the continuing fall in residential investment. Construction subsidised by the Public Housing Corporation declined only moderately, but private house-building activity weakened considerably despite the policy measures to support it. The fall in inventory investment was mainly due to the adjustment of the stock of imported primary commodities and the poor agricultural harvest.

On the other hand, public investment, private equipment investment, and exports of goods and services constituted sources of strength. Reflecting the expansionary policy stance, general government investment is estimated to have expanded by 10-11 per cent in volume, with notably a concentration in the second half of the year. Equipment investment was particularly buoyant in the energy, transport and communication sectors, but the recovery witnessed

1. The official national accounts for 1980 are still provisional. For 1981, only tentative figures are available including some estimates by the Secretariat.

2. According to census data the excess housing stock increased significantly between 31st December 1970 and 1st March 1981. It should be noted, however, that a significant part of this excess stock probably consists of dwellings abandoned because of migratory movements:

	1970	1981*
Number of households (thousands)	8 853.7	10 665.7
Number of houses (thousands)	10 658.9	14 716.3
of which:		
principal	8 505.3	10 382.1
secondary	796.2	1 964.3
unoccupied	1 357.5	2 369.9

* Provisional data.

Source: National Statistics Institute.

Table 1. Demand and output¹
Percentage change, volume

	1980 ² Billion pesetas	Per cent of GDP	1970- 1975	1975- 1978	1978- 1981	1979	1980 ²	1981 ²
Private consumption	10 633	70.5	5.8	2.7	0.4	1.9	0.4	-1½
Public consumption	1 704	11.3	6.1	5.0	3.3	4.2	3.2	2½
Gross fixed investment	2 887	19.1	5.7	-1.3	-0.6	-4.6	1.4	2
Stockbuilding ³	236	1.6	0.3	-0.6	0	-0.6	0.2	-1½
Total domestic demand	15 460	102.5	6.0	1.5	0.4	1.4	1.1	-2
Exports	2 383	15.8	6.5	9.8	5.2	5.6	4.1	7½
Imports	2 766	18.3	9.3	1.2	3.4	11.6	2.1	-5½
Foreign balance ⁴	-383	-2.5	0.6	1.3	0.4	-0.9	0.4	2½
GDP at market prices	15 076	100.0	5.5	2.7	0.8	0.4	1.5	½
GDP implicit deflator			12.3	20.0	14.3	16.7	12.9	13½
GDP at factor cost	14 387	100.0	5.9	3.0	0.6	0.3	1.5	0
Primary sector	1 070	7.4	4.2	2.1	-2.1	-3.3	9.0	-11
Industry	4 108	28.6	7.3	3.3	0.5	0.6	0.8	½
Construction	1 049	7.3	3.3	-3.5	-3.3	-4.9	-4.0	-1
Tertiary sector	8 160	56.7	5.8	4.0	1.4	1.5	1.2	1½

1. OECD/UN standardised national accounts.

2. Provisional official estimates.

3. Provisional figures, partly estimated by the Secretariat.

4. Changes as percentage of GDP in the previous period.

Sources: National Statistics Institute, *Spanish National Accounts*; OECD Secretariat.

over the last two years has also been influenced by a stepping up of labour saving and rationalisation investment. Moreover, mainly due to improved competitiveness in the wake of the depreciation of the peseta, both merchandise exports and tourism recovered strongly since around mid-year.

Following the excellent 1980 harvest, agricultural production fell significantly last year, hard hit by a severe drought. According to preliminary estimates by the Ministry of Agriculture, gross value added by this sector might have fallen by around 11 per cent at constant prices. Industrial production stagnated, as buoyant activity in the investment goods branches was offset by weakness in other sectors, notably durable consumer goods industries. Value added in construction probably fell, the positive effect of the stepping-up of public works being more than offset by depressed housebuilding activity. Only in the tertiary sector did value added increase thanks to a continued rise in public sector employment and a recovery of tourism. Estimating the time profile is, as usual, difficult in the absence of quarterly national accounts. Various indicators would seem, however, to point to stronger activity in the second half of 1981 than in the first half³.

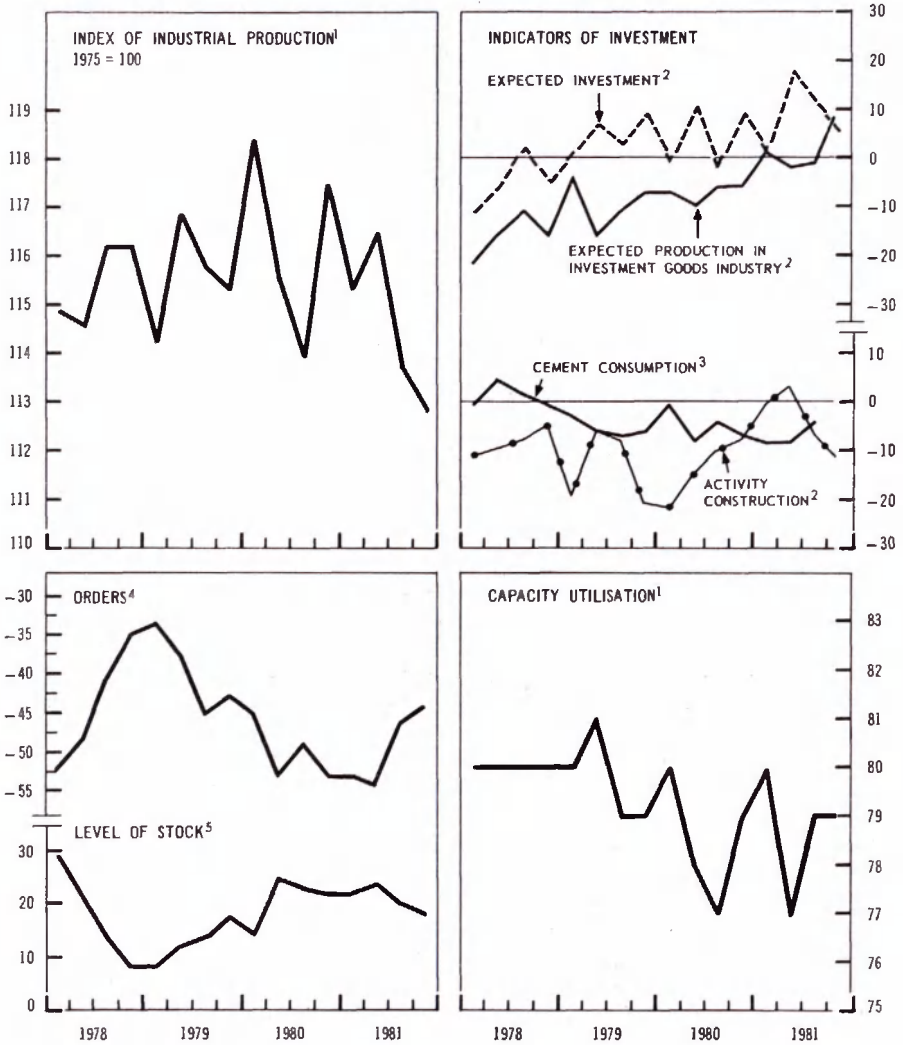
Labour market developments

Labour market conditions continued to deteriorate in 1981 albeit less rapidly than in 1980. In the course of 1981, the number of persons employed

3. These include stronger export growth, an upturn in imports and concentration of public works in the second half as well as indicators shown in Diagram 1.

(16 year olds and above and excluding marginal workers) declined by 288 thousand, compared with 442 thousand during 1980. This development was mainly accounted for by the increase in the tertiary sector employment resulting from

Diagram 1. Indicators of economic activity



1. Seasonally adjusted data.

2. Seasonally adjusted data. Percentage between the replies "increase" and "decrease".

3. Percentage change from corresponding period of previous year.

4. Seasonally adjusted data. Percentage difference between the replies "strong" and "weak" for orders received.

5. Seasonally adjusted data. Percentage difference between the replies "higher than normal" and the sum of "lower than normal" and "none" for the level of stocks of final products.

Sources: Bank of Spain, Statistical Bulletin; Ministry of Industry, Business surveys.

a recovery of tourism activity and job creation in public administration. Expansion of public works contributed to moderating the decline of employment in the construction sector. The deceleration in the fall of the primary sector employment was partly due to the implementation of community employment creation programmes but also to an increase in the return flow of workers to rural areas as self-employed or unpaid family workers. In industry, however, the fall in employment gathered speed partly due to the reduced cost of dismissals for companies following the establishment of the Workers' Statute (March 1980) and to the implementation of the restructuring plans for certain sectors.

Table 2. **Employment trend¹**

	Average level in thousands	Change over the preceding year in thousands ²					Average annual percentage change	
	1980	1977	1978	1979	1980	1981	1980	1981
Total employed	11 289	-55.1	-281.8	-264.5	-442.2	-287.8	-3.2	-3.1
By industry:								
Primary sector	2 104	-112.9	-120.9	-127.2	-150.8	-121.1	-6.8	-5.8
Industry	3 089	3.3	-66.8	-121.2	-112.5	-173.0	-3.6	-4.4
Construction	1 020	18.8	-73.4	-72.7	-87.9	-34.1	-6.9	-7.6
Tertiary sector	5 076	35.7	-20.7	74.6	-91.0	40.3	-0.5	-0.2
By status:								
Salaried workers	7 918	33.9	-190.3	-221.1	-336.4	-126.5	-3.4	-3.1
Others	3 371	-89.0	-91.5	-43.4	-105.8	-161.3	-2.6	-3.1

1. For 16 year olds and above and excluding marginal workers.

2. Fourth quarter over fourth quarter.

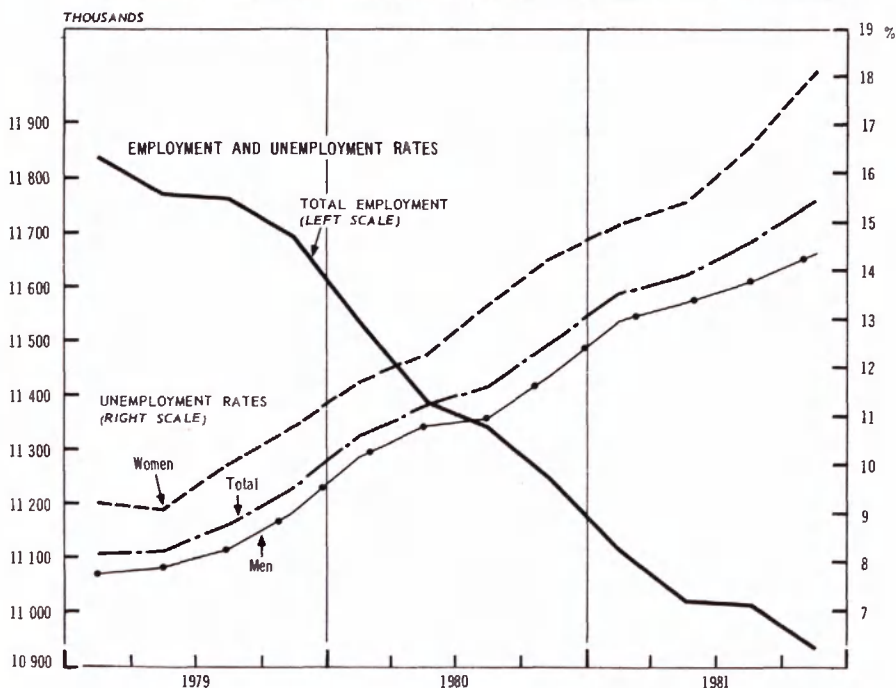
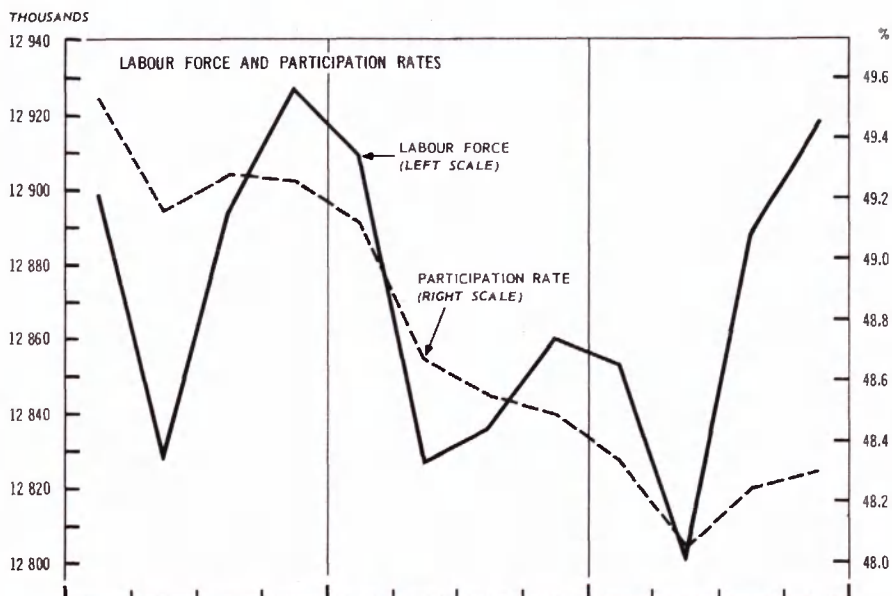
Source: National Statistics Institute, *Labour Force Survey*.

Year on year, both the labour force and participation rates fell in 1981. But the pick up from the second to the third quarter appears greater than the seasonal increase due to the entry of young workers to the labour market, suggesting an unwinding of the discouraged worker effect. In the fourth quarter of 1981, the number of unemployed reached 1 988 thousand, or 15.4 per cent of the labour force—an increase of 368 thousand over a year earlier. With over half of the increase accounted for by the age group below 25, the youth unemployment rate rose to around 37½ per cent, nearly 5½ percentage points more than in the fourth quarter of 1980.

Prices and incomes

From 1980 to 1981 consumer prices rose by 14.6 per cent or one percentage point less than in the previous year. This deceleration—smaller than the average for European OECD countries—must be seen in the light of a continued sharp increase in import prices stemming from the peseta's depreciation, the upward adjustment of domestic energy prices and the reversal of the favourable trend of agricultural prices in the wake of the severe drought. Following an increase of 10.1 per cent in 1979 and 9.1 per cent in 1980, the food component of consumer prices rose by 13.6 per cent in 1981. The moderation in the underlying rate of inflation is greater than suggested by the movement of the overall index. The rate of increase in non-food components fell from

Diagram 2. Labour market trend¹

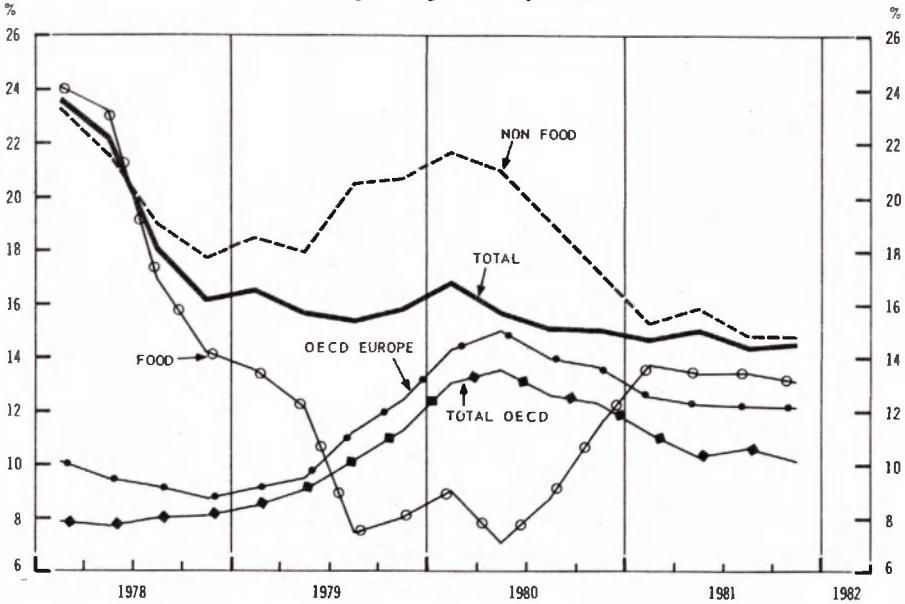


1. The data employed in this diagram are for 16 years old and above and include marginal workers.

Sources: National Statistics Institute, *Labour Force Survey*.

19.4 per cent in 1980 to 15.1 per cent in 1981 for consumer prices and from 20.2 per cent to 16.1 per cent for industrial prices (first ten months) in line with the slower advance in wages and fairly high productivity gains. Excluding energy components, the rate of deceleration was of a similar order of magnitude.

Diagram 3. Consumer price developments
Percentage change over a year earlier



Sources: National Statistics Institute and OECD Secretariat.

There seems little doubt that wage increases slowed down in 1981, but the extent of the deceleration remains difficult to assess precisely. Contractual wages rose by 13.2 per cent, falling within the 11-15 per cent range set by the agreement signed between the social partners⁴. According to the National Statistics Institute Survey, monthly earnings per person in industry grew by 17.1 per cent in the first ten months of the year. During the same period, the average daily pay in agriculture rose by 11.8 per cent and the salary cost in construction by 15.2 per cent, respectively (see Statistical Annex Table E). On the whole compensation per employee on a national accounts basis may have risen by 16½ per cent and total compensation by around 12½ per cent. The resulting increase in unit labour costs (around 12 per cent) together with the estimated 13¼ per cent rise in the GDP deflator suggest that the share of operating surplus in national income improved somewhat.

4. This agreement was first signed in January 1980 between the Spanish Employers Confederation (CEOE) and the General Workers Union (UGT), one of the two largest labour unions. It was then renewed to cover negotiations taking place in 1981. For details see the relevant section below.

Balance of payments

In spite of a slight reduction in the trade deficit thanks to a recovery of export volumes and a decline in imports, the current external deficit remained unchanged in 1981 mainly due to a terms-of-trade deterioration and increased interest payments abroad. An improvement in both the trade and the current balances seems to have taken place in the second half of the year⁵. Net long-term capital flows remained roughly unchanged in dollar terms. The peseta depreciated against most of the major currencies, notably vis-à-vis the US dollar, the pound sterling and the Japanese yen.

From 1980 to 1981 the value of merchandise exports rose by around 29 per cent in pesetas but fell somewhat in dollars. Shipments abroad recovered sharply since around last May in response mainly to improved price competi-

Table 3. Balance of payments
Transactions basis, \$ million

	1977	1978	1979	1980	1981 ¹
Exports, fob	10 611	13 480	18 352	20 929	20 450
Imports, fob	16 832	17 505	24 022	32 389	30 570
Trade balance	-6 221	-4 024	-5 670	-11 461	-10 120
Services, net	2 620	3 974	5 014	4 424	3 410
of which:					
Tourism	3 486	4 917	5 559	5 720	5 708
Investment income	-760	-1 109	-1 088	-1 548	-2 374
Technical assistance and royalties	-328	-325	-403	-464	-413
Transfers, net	1 151	1 656	1 782	2 048	1 696
Current balance	-2 450	1 606	1 126	-4 989	-5 014
Long-term capital, net	3 219	1 495	3 010	3 800	4 148
Official	1 259	-461	346	416	840
Private	1 960	1 956	2 664	3 383	3 307
Foreign capital to Spain		2 871	3 370	4 637	4 319
Investments		1 221	1 498	1 507	1 822
Loans, credits, others		1 650	1 872	3 130	2 497
Spanish capital to foreign countries		-915	-706	-1 253	-1 011
Basic balance	769	3 101	4 136	-1 189	-866
Short-term capital ²	144	736	-735	269	45
Balance on non-monetary transactions	914	3 837	3 402	-920	-821
Monetary transaction	231	-95	25	204	473
IMF oil facility	..	..	-512	..	..
SDR	..	..	70	76	73
Change in official reserves	1 145	3 743	2 985	-640	-782
<i>Memorandum items³:</i>					
Oil imports	4 364	4 529	6 667	11 245	11 486
Non-oil imports	12 468	12 976	17 355	21 144	19 084
Non-oil trade balance	-1 857	505	997	-216	1 366

1. Provisional Secretariat estimates.

2. Including errors and omissions, and banks' internal foreign exchange accounts.

Sources: Ministry of Economics and Commerce, Bank of Spain and OECD Secretariat.

5. Because of a change in the customs' recording procedure, the trade figures on a customs basis for 1980 include transactions that took place between 25th December, 1979, and 31st December, 1980, whereas the annual figure for 1981 includes those between 1st January, 1981, and 31st December, 1981. The national accounts estimates as well as balance of payments figures are adjusted for this change.

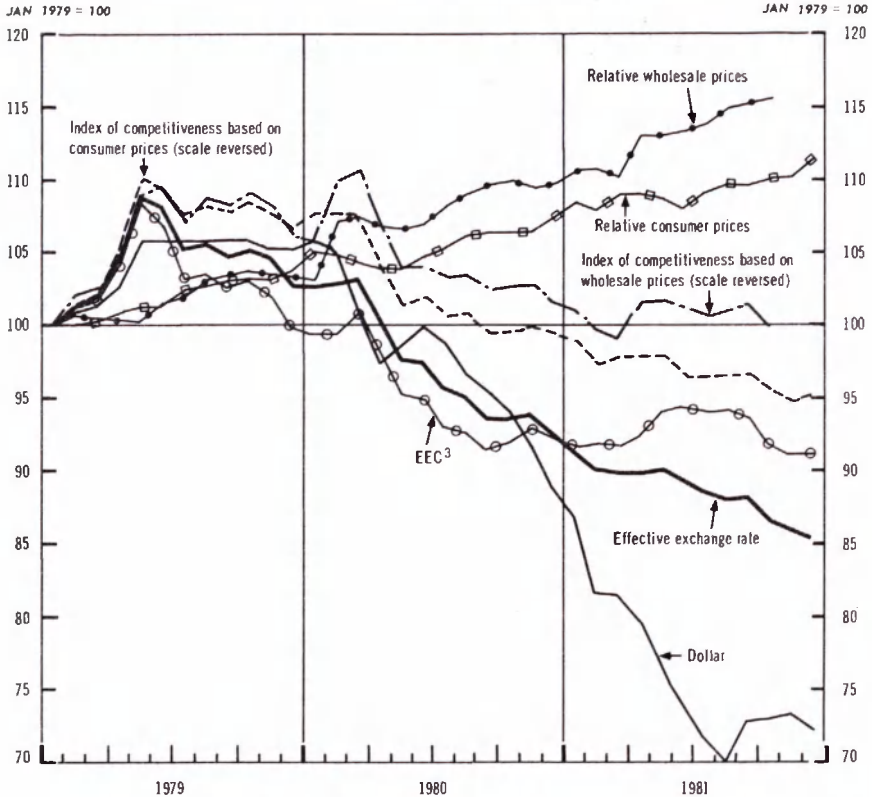
tiveness as a result of the depreciation of the peseta since mid-1979. The rather long lag between the improvement in relative prices and the export recovery may be explained by the difficulty of regaining lost market shares. In the absence of reliable unit value indices the price-volume breakdown remains uncertain. According to tentative estimates by the Ministry of Economy and Commerce, the rise in export volume might have been of the order of 6½-7 per cent which, on the basis of a 5½ per cent market growth estimated by the Secretariat, would imply market share gains. By commodity group large increases were registered for price-sensitive goods such as textile products, shoes and general machinery. By region, the marked rise in shipments to hitherto relatively unimportant markets (such as COMECON countries and Japan) suggests that Spanish exporters have intensified their efforts to make inroads into new markets. Exports to North America rebounded, whereas those to the EEC receded reflecting the differential rates of depreciation of the peseta against major currencies.

Merchandise imports fell in 1981 both in dollars (by 1¼ billion) and in volume (by perhaps 5 or 6 per cent), reflecting stagnant activity, energy conservation and reduced price competitiveness of foreign products as a result of the depreciation of the peseta. The sharp decline in imports of agricultural products (about 12 per cent in volume) was primarily attributable to a continuation of the stock adjustment that had started in the latter half of 1980. Despite increased needs entailed by the drought, crude oil imports fell (by 7-8 per cent) partly due to greater use of coal for power generation. This was reflected in a large increase in coal imports (over 15 per cent). Generally weak domestic demand and the peseta's depreciation were mainly responsible for the decline in non-agricultural non-energy imports. Reflecting the relatively buoyant investment in machinery and equipment and depressed private consumption, the fall in imports was smaller for capital goods than for consumer goods.

The surplus on invisibles was reduced by around \$ 1½ billion to \$ 5 billion in 1981. As in the case of merchandise trade, the improvement in the underlying trend was disguised by the J-curve effect. Although the tourism balance deteriorated slightly in dollar terms, real tourism activity recovered markedly since the summer months as a result mainly of improved price competitiveness. The number of visitors registered a record high of a little over 40 million, an increase of about 5½ per cent over 1980. The deficit on investment income widened largely due to increased payments abroad (by \$ 1 billion) as a result of a rise in both interest rates and external debt outstanding. Net receipts on transfers decreased by \$ ¼ billion reflecting wage moderation in major European countries and the depreciation of their currencies vis-à-vis the US dollar.

Net inflows of long-term capital rose slightly from 1980 as a small decline in private inflows was more than offset by an increase in public sector borrowing. The reduction in private inflows took place mainly in long-term loans and was partly influenced by the slight interest rate differentials in favour of domestic borrowing. Net foreign investments to Spain increased somewhat. Direct investment was unchanged in dollars (but posted an increase in pesetas), and there was a rise in investment in real estate and securities in dollar terms. With short-term capital movements (including errors and omissions) registering a very small net inflow, the balance of non-monetary transactions recorded a deficit of \$ ¾ billion in 1981, slightly lower than in 1980. Reflecting the generally weak balance of payments position, the peseta continued to depreciate in the course of the year in trade-weighted effective terms but at a slower pace than in 1980. This trend was influenced by the movement of the peseta against various currencies in the course of the year. An appreciation took place against the Common Market currencies during the first six months and against the dollar between September and November.

Diagram 4. Price competitiveness¹ and exchange rates²



1. Relative prices are calculated as a ratio of prices in Spain to a trade-weighted average of prices in her 14 trading partners. Index of relative competitiveness is a product of relative prices and the effective exchange rate.
 2. Foreign currency units per peseta. Monthly average of daily figures.
 3. Weighted average of EEC countries' exchange rates.
- Sources:* Bank of Spain, National Statistics Institute and OECD Secretariat.

II. FISCAL AND MONETARY POLICIES

Fiscal policy

In line with the intended expansionary fiscal stance, budgetary operations contributed to supporting economic activity in 1981. Total expenditure growth slowed down, with current transfers and capital spending continuing to expand rapidly, while the growth of current consumption outlays decelerated somewhat. The rate of implementation of public investment projects, which had been assigned a crucial role in stimulating demand, was raised thanks in part to better inter-ministerial co-ordination. Thus, fixed investment expenditure by the State rose

by around 30 per cent in nominal terms⁶. Capital transfers to state-controlled enterprises and autonomous administrative bodies increased rapidly, with an additional appropriation of 27 billion pesetas allotted to the restructuring of certain industries. There was also a large increase in current transfers and subsidies, reflecting the official medium-term objective of raising the State financing of the social security budget (excluding unemployment insurance) to 20 per cent by 1984, the greater-than-expected increase in unemployment⁷ and the widening deficits of public corporations. In contrast, the increase in consumption expenditure was contained, with outlays for wages and salaries rising by 14 per cent and purchases of goods and services virtually stagnating (on a cash basis). As a consequence, the structure of spending continued to change towards a higher share of capital expenditure and current transfers⁸. However, the relative increase in various categories of expenditure in 1981 is subject to some uncertainty in view of the large amount of unallocated expenditure (see Table 4).

Total revenue for the State rose by nearly 23 per cent in 1981, virtually identical to the budget forecast. The increase in direct tax revenue was rather low, 16 per cent, reflecting weak profit conditions, investment tax credits and a reduction in the personal income tax burden⁹. This was, however, higher than initially envisaged probably due to continued regularisations in the wake of tax reforms. Although less than foreseen in the budget, the increase in indirect tax revenue was substantial, around 24 per cent, reflecting a rise in the transaction tax as a transitory step towards the eventual introduction of the value added tax. The shortfall was mainly attributable to lower than expected "luxury tax" receipts, which was in turn due to a significant decline in automobile sales. On balance, mainly owing to supplementary appropriations for the transfer to the Unemployment Insurance Fund and various subsidies, the State deficit widened by around 150 billion pesetas more than budgeted, an amount corresponding roughly to net extra-budgetary payments. About 70 per cent of the total borrowing requirement (including financial transactions) of around 560 billion pesetas was financed by the Bank of Spain, 20 per cent by domestic bond issues and 10 per cent by external borrowing.

6. The rate of realisation of capital spending by the State, defined as the ratio of contracted obligations ("obligaciones contraídas") to final budget appropriations ("crédito final"), has tended to increase in recent years:

	1976	1977	1978	1979	1980	1981
Fixed investment	77.9	74.5	76.0	74.2	82.3	84.0
Capital transfers	92.3	93.5	94.1	87.3	91.9	92.0
Total capital spending	85.4	85.1	86.8	82.1	87.7	88.3

Source: Ministry of Finance.

7. The State is required to finance 40 per cent of the unemployment benefits paid.

8. Structure of State expenditure:

	1978	1979	1980	1981
Current transfers	30.7	29.9	35.7	35.9
Other current expenditure	46.3	49.1	44.1	42.1
Capital expenditure	23.0	21.0	20.2	22.0
Total	100.0	100.0	100.0	100.0

9. In order to neutralise fiscal drag, tax rates were cut by 10 per cent for all income brackets and minimum deductions were raised.

Table 4. State budget and financing

Cash basis

	Billion pesetas			Percentage change		
	Realisation		Budget	Realisation		Budget ¹
	1980	1981	1982	1980	1981	1982
Total revenue	1 953.4	2 395.3	2 878.4	23.9	22.6	20.8
Tax receipts	1 680.3	2 011.7	2 408.1	25.0	19.7	20.9
Direct taxes	908.5	1 053.5	1 266.2	28.0	16.0	26.5
Indirect taxes	771.8	958.2	1 141.9	21.8	24.2	15.3
Others ²	273.1	383.6	470.3	17.6	40.5	20.4
Total expenditure	2 218.8	2 608.4	3 500.6	29.3	20.9	26.2
Current expenditure	1 770.0	2 035.6	2 670.9	37.5	15.0	27.1
Wages and salaries	855.5	975.0	1 203.8	22.3	14.0	14.1
Purchase of goods and services	101.9	102.6	135.5	25.8	0.7	22.2
Current transfers	792.4	936.0	1 247.8	62.8	18.1	41.9
Others ²	20.2	22.0	83.8	0.0	8.9	46.2
Capital expenditure	448.3	572.8	829.7	31.0	27.8	23.5
Fixed investment	141.9	185.8	343.0	22.4	30.9	26.2
Capital transfers ²	306.4	400.0	486.7	35.5	30.5	21.7
Other adjustment items ³	96.2	189.8				
Budget balance	-361.1	-402.9	-622			
Extra-budgetary operations, net	-24.6	-140.3				
Overall balance	-385.7	-543.2				
Financial operations, net ⁴	5.0	-15.1	-17			
Borrowing requirement	380.7	558.3	639			
Financing						
Bank of Spain	347.1	392.5	350			
External debt issues, net	-42.6	51.9	68			
Domestic debt issues, net	76.2	113.9	221			

1. Calculated over the initial 1981 budget.

2. Including a small amount of residuals carried over from the preceding budgets.

3. Including the difference between actual payments and orders as well as residuals carried over from the preceding budgets but not yet attributed to any particular accounts.

4. Including a small amount of net minting of coins.

Source: Ministry of Finance.

Current revenue of the social security institutions probably increased by 19 per cent last year, with contributions rising by 15 per cent and transfers from the State by over 40 per cent. Given a somewhat greater increase in current expenditure and a significant rise in fixed investment, the deficit of the social security system widened. As information on local governments is still preliminary, General Government operations cannot yet be assessed precisely. According to tentative estimates by the Ministry of Finance the General Government sector probably exerted a net positive demand impact. Its borrowing requirement (on an accrual basis) rose to nearly 700 billion pesetas, about 4 per cent of GDP.

Although the fiscal policy approach remains basically the same as in 1981, the 1982 budget reflects the various agreements signed in the course of last year—notably the tripartite agreement on employment and wages (ANE) designed to support employment by reducing the rise in wage costs and by facilitating the recovery of effective demand; the establishment of the Inter-regional Compensation Fund aimed at promoting a better regional distribution of public

Table 5. General government account
National accounts definitions; accrual basis

	Billion pesetas				Percentage change			
	1978	1979	1980	1981	1978	1979	1980	1981
Current revenue	3 040.4	3 690.0	4 319.3	5 111.7	25.2	21.4	17.1	18.3
Direct taxes	619.6	807.3	1 038.1	1 204.3	38.2	30.3	28.6	16.0
Indirect taxes	693.4	796.5	907.7	1 138.8	13.1	14.9	14.0	25.5
Social security contributions	1 294.1	1 578.6	1 761.1	2 025.5	28.7	22.0	11.6	15.0
Other	433.2	507.5	612.4	743.1	19.6	17.2	20.7	21.3
Current expenditure	2 935.3	3 563.9	4 330.9	5 210.4	34.7	21.4	21.5	20.3
Public consumption	1 169.1	1 393.3	1 696.1	2 003.1	26.9	19.2	21.7	18.1
of which:								
Wages and salaries	944.2	1 132.2	1 364.8	1 610.6	26.4	19.9	20.5	18.0
Social security benefits	1 342.0	1 697.8	2 060.5	2 489.8	40.7	26.5	21.4	20.8
Current transfers and other	424.2	472.7	574.3	717.6	39.3	11.4	21.5	25.0
Net saving	105.1	126.1	-11.6	-98.7				
Capital revenue	66.4	76.2	90.1	99.8	22.1	14.8	18.2	10.8
Consumption of fixed capital	44.9	51.8	62.5	69.0	25.8	15.4	20.7	10.4
Capital transfers received and other	21.5	24.4	27.6	30.8	15.0	13.5	13.1	11.6
Capital expenditure	378.0	420.9	557.0	693.3	4.9	11.3	32.3	24.4
Gross fixed capital formation ¹	245.6	238.2	301.4	372.4	-1.3	-3.0	26.5	23.6
Capital transfers paid	132.4	182.7	255.6	320.9	18.7	38.0	39.9	25.5
Deficit	-206.5	-218.6	-478.5	-692.2				
(Per cent of GDP)	(-1.8)	(-1.7)	(-3.2)	(-4.0)				

1. Including purchase of land.

Source: National Statistics Institute and Ministry of Finance.

investment; and the new arrangements concerning the budget of the Basque region. The latter resulted in changes in the structure of the 1982 State budget. The following discussion is based on adjusted figures to make them comparable with the 1981 budget data.

The 1982 budget aims at imparting a demand stimulus through public investment while limiting the size of the deficit by curtailing the increase of consumption expenditure. Capital spending by the State (including capital transfers) is to increase by around 25 per cent over the initial 1981 budget¹⁰. An important amount is to be allocated through the Inter-regional Compensation Fund to various priority regions. Current expenditure other than transfers is to grow slowly, reflecting the moderate increase in wages, particularly of civil servants, stipulated in the ANE. On the other hand, current transfers are budgeted to rise rapidly. Within the framework of the ANE a substantial increase (61.6 per cent) is budgeted for State transfers to the social security (narrow definition). The amount earmarked (350 billion pesetas) should raise the share of State financing by 4.7 points over 1981 allowing a 1 percentage point reduction in the social security tax. However, the rate of contributions

10. According to a public investment programme covering the three years to 1984, the State is to spend each year a minimum of 825 billion pesetas for fixed investment and capital transfers.

for unemployment insurance was raised from 4 to 5 per cent. Subsidies to the National Institute of Employment should also rise sharply (by 75 per cent) in order to cover part of unemployment benefits and to promote the creation of jobs. The increase envisaged for subsidies to public corporations and local governments is also sizeable, of the order of 25 per cent.

Table 6. State transfers to Social Security
In billion pesetas

	1980		1981		1982	1984
	Budget	Actual	Budget	Actual	Budget	Objective
Unemployment	80	120	100	190	174	
Health, pensions, etc. (State participation, %)	145	169 (8.35)	217	219 (10.69)	359 (15.35)	(20.0)

Source: Ministry of Finance.

Revenues are budgeted to increase by around 21 per cent, distinctly slower than expenditure growth. In contrast to 1981, indirect tax revenue is to rise less than direct taxes. A 1 percentage point increase in the transaction tax rate is envisaged as a further transitory step to the eventual introduction of the value added tax. An increase in family deductions of 2 000 pesetas was granted but the personal income tax rate was raised by 5.2 per cent for all income brackets¹¹. In order to promote household savings a fiscal saving account was introduced, the provisions of which allow the deduction of 15 per cent of the deposited sums from taxable income¹². At the same time, the rate of the investment tax credit applicable to personal income tax was set uniformly at 15 per cent¹³. As for corporate income tax, the rate applicable to saving banks was raised from 18 per cent to 22 per cent and somewhat greater fiscal incentives were given to promote fixed investment. In addition to the existing scheme, tax credit for research and development investment was raised from 10 to 15 per cent together with an increase in the limit from 20 to 25 per cent of the income tax payable. An additional credit of 5 per cent was granted for the investment in new fixed assets but the eligibility of financial investment is limited to the purchase of newly issued securities with a required minimum holding period of 5 years.

The State borrowing requirement is expected to reach around 680 billion pesetas. Compared to 1981 a greater proportion is to be financed by domestic bond issues (35 per cent as opposed to 20 per cent in 1981) with a corresponding reduction of the role played by the Bank of Spain (from 70 per cent to 55 per

11. As a result the minimum tax rate is raised from 14.80 per cent to 15.56 per cent and the maximum from 65.09 per cent to 68.47 per cent.

12. The minimum amount of deposits was set at 100 thousand pesetas and the maximum at 500 thousand pesetas. These deposits must be held for three years unless invested in company fixed assets or securities listed in the stock exchange.

13. Previously, it was 22 per cent for bonds issued by the State and regional governments. For those issued by provincial and municipal authorities, the Official Credit Institute, INI, RENFE and TELEFONICA as well as for fixed-interest bonds of electric power companies listed in the stock exchange, the tax credit amounted to 20 per cent. A rate of 15 per cent was applied to other securities.

cent). There are, however, several factors that may contribute to a significantly higher borrowing requirement than foreseen in the budget. With the probable slowing down of inflation and moderate real growth, nominal GDP may increase by around 14 to 15 per cent. Although the tax changes described above make precise estimations difficult, an increase of tax revenues by nearly 21 per cent implies a somewhat higher elasticity than observed in recent years. More importantly, expenditure estimates may be exceeded—notably for transfers to the unemployment fund and to public corporations as well as for public debt servicing at higher interest rates. It is more difficult to judge the probable development of the General Government account in 1982, for which no official forecasts have been announced. In 1981, the overall deficit of the social security system may have risen to some 100 billion pesetas, despite increased transfers from the budget, and a reduction would seem unlikely this year. And the expenditure of regional and local authorities is on a distinctly rising trend. The borrowing requirement of general government could well exceed the estimated ratio of 4 per cent of GDP for 1981.

Monetary policy

When monetary policy objectives were initially drawn up, 1981 was foreseen to be a year of recession and a large current account deficit was expected. The monetary authorities were thus faced with the difficult task of promoting a recovery of activity while securing the financing of the external deficit in an environment of high and volatile overseas interest rates and maintaining sufficient control of movements in the exchange rate. The growth target for M3 was set at 16½ per cent¹⁴ which, in view of the expected loss of foreign exchange reserves implied an increase in total domestic credit of about 18½ per cent and 18 per cent for credit to the private sector after making allowance for the projected public sector deficit¹⁵. These targets were considered adequate to

Table 7. Evolution of monetary aggregates¹
Percentage changes from end of previous period at seasonally adjusted annual rates

	1979	1980	1981	1981			
				Q1	Q2	Q3	Q4
M1	9.2	15.0	13.1	5.3	12.8	16.7	18.1
M2	10.8	12.5	12.1	6.0	10.9	13.9	18.1
M3	18.4	17.2	16.0	12.6	15.9	17.8	17.6
Total domestic credit	17.2	20.3	20.2				
Credit to private sector ² (Excluding purchase of industrial bonds)	15.6	18.4	17.6				
Credit to public sector	(16.9)	(19.8)	(18.8)	(14.5)	(21.0)	(18.5)	(21.4)

1. End of month figures.

2. Includes a small amount of credit by the Bank of Spain.

Source: Bank of Spain.

14. The base for calculating the target growth of M3 is the average value over the three months centering around September of the preceding year. A seasonally adjusted moving average of daily values of M3 is used to calculate the target. The objective for 1981 was a cumulative seasonally adjusted annual rate of expansion of 16½ per cent with a margin of 2 percentage points on either side.

15. Including the purchase of industrial bonds by the banking sector, the target growth for domestic credit was set at 17 per cent.

accommodate a projected real GDP growth of 1 to 2 per cent and an increase in the total domestic demand deflator of $13\frac{1}{2}$ to 15 per cent. In the event, the growth of both nominal GDP and of monetary aggregates was at the lower end of the range of forecasts, with M3 expanding by $15\frac{1}{2}$ per cent and credit to the private sector by around 16 per cent¹⁶. But the smaller increase in broad money supply was primarily due to a shift from bank deposits to other interest-bearing liquid assets such as marketable bank acceptances ("létras")¹⁷ and treasury bills. The growth of M3 plus "létras" was around $16\frac{1}{2}$ per cent, identical to the initial target. Similarly, the expansion of credit to the private sector on this broad definition was about $17\frac{1}{4}$ per cent, a shortfall of $\frac{3}{4}$ percentage points reflecting weaker private credit demand and a greater public sector borrowing than initially envisaged.

Monetary developments during the year were uneven, influenced by changes in the trend of domestic activity, the balance of payments position and the movement of foreign interest rates. In the first half of the year, despite the large increase in public sector borrowing, weak overall demand for credit depressed the expansion of M3 to an annual rate of $13\frac{1}{2}$ per cent, or significantly below the target. Domestic interest rates were allowed to fall in the first quarter in response to a decline in overseas interest rates. In the second quarter, however, developments in international money markets necessitated some tightening of monetary policy in order to moderate the pace of depreciation of the peseta. The resulting rise in domestic interest rates led to a strengthening of the peseta against the Common Market currencies. The second half of the year was characterised by an acceleration of M3 growth to around $17\frac{1}{2}$ per cent, reflecting the recovery of economic activity and the continuing large borrowing requirement of the public sector. The rapid improvement of the balance of payments and the weakening of foreign interest rates helped the monetary authorities to accommodate such a rapid increase in credit demand, but domestic interest rates did not fall in line with overseas rates which entailed a reversal of differentials towards the end of the year.

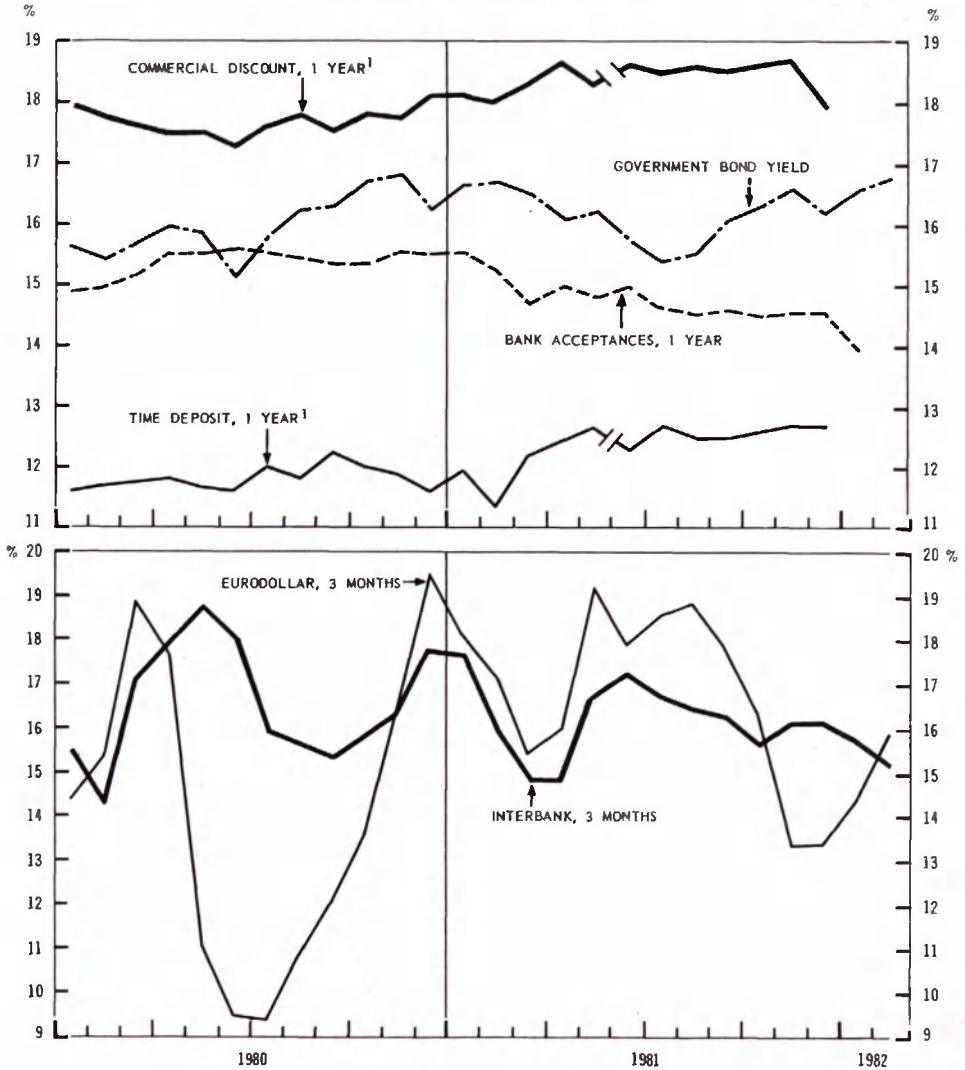
As described in last year's Survey, further liberalisation measures were taken in January 1981. All lending rates were deregulated except those on operations subjected to the "investment coefficient", and so were interest rates on six-months deposits (with a balance greater than 1 million pesetas) and on convertible peseta deposits. In order to attain greater transparency of financial transactions the banks were obliged to publish their prime lending rates as well as charges and commissions. The rate of reduction in the investment coefficient was set at 0.5 percentage point per month for savings banks and 0.1 percentage point per month for commercial banks¹⁸. As a result, over the twelve months to December 1981, the share of compulsory lending at concessional interest rates fell by 6.5 percentage points for savings banks and 1 percentage point for commercial banks. On the other hand, in view of the necessity to secure long-term funds to promote fixed capital formation, it was decided to raise the obligatory long-term loan requirements for commercial banks from 1.8 per cent

16. The calculation of credit to the private sector makes allowance for the effect of exchange rate changes on foreign currency denominated loans to residents.

17. This financial instrument offers advantages to both banks and investors. For banks it does not appear in their balance sheet and is therefore not subjected to reserve requirements. For investors the yield on such investment is not liable to withholding tax.

18. The commercial and savings banks have for a long time been obliged to "invest" a large proportion of their deposits in particular categories of public and private bonds and loans. Over the last few years the authorities have gradually reduced this "investment coefficient". At the end of 1981, it represented 21 per cent of deposits for commercial banks and 45 per cent for savings banks.

Diagram 5. Interest rates



1. The break in this series is due to a change in reporting procedures.

Sources: Bank of Spain and OECD.

of deposits to 7 per cent by December 1983 and for savings banks from zero to 10 per cent by May 1984¹⁹. In addition, for commercial banks this requirement is to be raised to 10 per cent of bank debentures outstanding by August 1986. During 1981 these additional requirements rose by 3 points for savings banks and 3.6 points for commercial banks. The important difference between the long-term financing requirement and the investment coefficient is that interest rates are free of regulation for the former, opening the possibilities for new

19. Loans and bonds must have an average maturity of three years or more.

innovative financing arrangements such as floating-rate syndicated loans which gained popularity in 1981.

On the basis of announced targets for the growth of monetary aggregates monetary policy should be broadly accommodative in 1982. The 15½ per cent growth target for M3 seems consistent with a recovery of real activity and a slowing down of the rate of inflation, which should be facilitated by the decline in world prices of oil and raw materials. The expected reduction in the current balance of payments deficit would diminish the need to raise domestic interest rates in order to ensure appropriate capital inflows and to prevent sharp movements in the exchange rate—another important objective of the authorities. However, the uncertainty about interest rate developments abroad and the growing financing needs of the public sector raise difficult problems for the conduct of monetary policy.

Monetary, exchange rate and fiscal policy relationships

In recent years, there have been some significant changes in the conditions under which monetary policy operates in Spain, resulting partly from the gradual liberalisation of the financial system but also from developments in financial markets abroad and the adjustment of Spanish exchange rate policy. Furthermore, as in several other countries, the reconciliation of fiscal and monetary policy objectives is now becoming increasingly difficult.

Traditionally, monetary policy has played a predominant role in short-term demand management. Since the early 1970s its main intermediate objective has been the management of the broad money supply, essentially through control of the monetary base. Given the extensive regulation of both credit flows and interest rates (which meant that even observations of meaningful interest rates scarcely existed), this was deemed by the monetary authorities to be the only practicable approach²⁰. The annual growth targets for M3 have been approximately attained, but had been set at close to 20 per cent because of concern about levels of activity and employment in the presence of underlying strong cost pressures. It is only in the more recent years—characterised by weak demand conditions and a slowdown of inflation—that monetary targets have been reduced significantly. At the same time, the abolition of controls on many categories of interest rates and the relaxation of other regulations have activated financial intermediation and enhanced the role of short-term interest rates. It should be noted, however, that reform of the capital market has proceeded at a much slower pace.

The simultaneous attainment of money supply and exchange rate objectives has proved at times difficult to achieve. Thus, restriction of domestic credit to the private sector when the current account turned into surplus and the public sector deficit rose significantly led to capital inflows and a significant appreciation of the peseta in the year to mid-1979. Subsequently, the authorities have adopted a policy of managed gradual downward floating of the exchange rate, implemented through increasingly active management of money market conditions and interest rates, interventions in the foreign exchange market and other measures to influence the volume of finance from abroad of both private and public enterprises. Despite the abrupt shift of the current account into deficit following the 1979-1980 oil price increases, the new set of policies has prevented sharp, destabilising movements in interest rates and/or the average exchange rate. But,

20. Detailed explanations are given in Working Document No. 8005 of the Bank of Spain by P. Martínez Mendez, also published as "The Monetary Base Approach to Monetary Control", B.I.S., 1980.

controlled floating of the effective exchange rate has concealed some important divergencies in bilateral rates, resulting inevitably from wide variations among major currencies. The high level and the volatility of interest rates abroad may continue to impose constraints on the conduct of monetary policy in coming months.

The increasing financing needs of the public sector create difficult problems. At the aggregate level, the borrowing requirement of general government (about 4 per cent of GDP in 1981 on a national accounts basis) is likely to rise much faster in 1982 than the target growth rate of M3, while the possibilities of purchases of government bonds by the non-financial private sector appear limited²¹. There is, accordingly, an emerging constraint on domestic credit expansion to the private sector, especially in view of the expected recovery of production. Barring an excessively rapid monetary expansion, which is ruled out by the authorities, this situation will probably put upward pressure on interest rates at a time when inflation is expected to decelerate. On the other hand, substantial private borrowing from abroad could result in net capital inflows much in excess of the (probably reduced) deficit on current account, which would run counter to exchange rate policy objectives²².

Table 8. Saving-investment balance
As percentage of gross national disposable income

	1977	1978	1979	1980 ¹	1981 ¹
General Government	-0.6	-1.8	-1.7	-3.2	-4.0
<i>of which:</i>					
Gross saving	(3.1)	(1.3)	(1.3)	(0.3)	(-0.2)
Gross investment ²	(-3.7)	(-3.2)	(-3.0)	(-3.5)	(-3.8)
Private sector	-1.2	2.7	1.9	0.8	1.2
<i>of which:</i>					
Gross saving	(17.7)	(19.9)	(19.1)	(18.0)	(17.8)
Gross investment ²	(-18.9)	(-17.2)	(-17.2)	(-17.2)	(-16.6)
External sector	1.8	-0.9	-0.2	2.4	2.8

1. Secretariat estimates.

2. Includes net capital transfers and net acquisition of land.

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

The problem of compatibility between monetary and fiscal policies does not only relate to the current management of the economy. It also reflects some underlying distortions that could unfavourably affect medium-term economic prospects. To a large extent, the rise of the public sector deficit is the result of recessionary trends but also of more permanent factors discussed in Part III of this Survey. And more important perhaps than the size of the deficit is the composition of public sector transactions. For example, rising social security

21. As noted earlier, as much as 70 per cent of the Treasury's borrowing requirement in 1981 was financed by the Bank of Spain.

22. The annual targets for monetary aggregates are established on the basis of detailed flow of funds projections for the public, private and external sectors and take account of policy objectives concerning the level of economic activity, the rate of inflation and the exchange rate. At the time of writing no official detailed projections for 1982 had been made public.

expenditure reflects more than cyclical factors; and its increasing finance through budget transfers (in order to avoid a further burden on industrial costs) adds importantly to the Treasury's financing requirements. Another growing contribution is the volume of transfers and "soft" loans to sectors faced with special structural difficulties. At the same time, the cost of ordinary bank credit to enterprises not benefiting from special provisions has risen significantly. The interest rate on commercial discounts, including commissions, is of the order of 20 per cent at present, i.e. a real interest rate of more than 5 per cent. The risk is that an increasing burden is being placed on the operations of the average, more productive enterprises while available national savings are being channelled to support declining sectors.

III. STRUCTURAL PROBLEMS AND POLICIES

The adjustment task following the changes in world economic conditions since the mid-1970s has been particularly difficult for Spain, as reflected in a very slow rate of economic growth and a sharp deterioration in the trade-off between unemployment and inflation. The origin and nature of the difficulties besetting the Spanish economy are clearly complex and relate to both economic and non-economic factors. Among the various structural economic problems identified in the last OECD Survey of Spain²³, the following are of particular relevance for assessing the future prospects of the economy.

- a) The economic system inherited from the old regime, excessively rigid and protected, was not conducive to a rapid adjustment.
- b) Wage behaviour has become more moderate in recent years, contributing to a significant slowing down of inflation. However, the rise of real wage costs—and in particular the burden of social security contributions—has probably exerted negative effects on the level of employment.
- c) Spain's dependence on imported energy is particularly high but the policy response to the first oil shock in 1973-1974 was greatly delayed. Domestic energy prices were not raised significantly before mid-1979 and considerable delays were encountered in drawing up and putting into effect an overall medium-term energy programme.
- d) The weight of sectors suffering from worldwide excess capacity or faced with increasing competition from newly industrialised developing countries is relatively large, compared with most other OECD countries. However, plans to restructure crisis-ridden sectors have only recently started being implemented.
- e) Assessed in a medium-term perspective, the efficiency of demand management has been rather limited. Since fiscal policy has generally retained an expansionary stance with a view to supporting activity and employment, the burden of fighting inflation has rested primarily on monetary policy. With such a policy mix, progress in containing inflationary pressure has crucially depended on the control of nominal income growth through incomes policy arrangements. But after the

23. See the 1981 OECD Economic Survey of Spain, Part I, pp. 5 to 25.

significant improvement in the wake of the "Moncloa agreement" concluded in the autumn of 1977 progress has been rather slow.

In the recent past, however, significant progress has been made in tackling these underlying problems of the economy, thus laying the basis for a more sustained and balanced expansion of activity in the medium term. Some cut in real wages has been accepted for 1982, as part of the tripartite agreement signed by the Government and the social partners (ANE). This important step, along with other measures already taken in recent years and those provided for in the agreement, could improve the trade-off between growth and inflation, while facilitating the task of demand management policy. In the field of energy policy significant increases in the real domestic prices of oil products have taken place since mid-1979, which, together with the progressive implementation of the long-term National Energy Plan, has already resulted in energy conservation, reduction in total energy imports and stimulation of domestic activity through heavy investment expenditure. With regard to industrial restructuring, various plans are currently being implemented in order to promote adjustment to the changing pattern of competitive advantages. The following paragraphs discuss the progress achieved so far in correcting structural imbalances, while trying also to identify areas in which further efforts are required or where new problems seem to have emerged.

The wage formation process²⁴

As elsewhere, price and wage increases accelerated strongly after the first oil shock, but the movement lasted longer in Spain than in the majority of OECD countries. On the other hand, the gradual deceleration which started in 1978, before unemployment had risen significantly, has continued until recently. (See Diagrams 6 and 7.) It is difficult to distinguish the role played in these developments by demand pressures, conditions in the labour market and external influences. However, changes in the wage formation process—related to general institutional and political changes—were most probably an important factor. The freedom of association and the right to strike were recognised by royal decrees in 1977 and the first trade union elections were held in early 1978, but it was not until the promulgation of the Workers' Statute in 1980 that a comprehensive reform of labour law took place.

Under the old regime wage rates were set largely as a function of the previous year's inflation and productivity gains. In practice, wage earnings reflected mainly the demand for labour which was generally strong until the mid-1970s. In the autumn of 1977, the Moncloa Agreement signed by the major political parties included various provisions to deal with very high inflation and other imbalances in the economy. In particular it modified the price-wage link and based the standard for wage increases on the expected average rate of inflation for the year to come. The 20 per cent norm set up for wage increases in 1978 was thus significantly lower than the rate of inflation in the year to December 1977²⁵. The same procedure was followed in 1979, with the imposition of a norm providing for a further deceleration in wage increases (11-14 per

24. An interesting discussion of the change in the wage behaviour and other related topics is contained in analytical appendices to "La economía española en 1980 y las perspectivas a corto plazo", published by the Ministry of Economy and Commerce in summer 1981.

25. When the Moncloa agreement was negotiated, the rise in consumer prices in the 12 months to December 1977 was expected by the authorities to reach 30 per cent. The wage norm was mandatory for public administration, public corporations and enterprises receiving government subsidies. It was only indicative for the private sector but fiscal and financial privileges were to be annulled in case the ceiling was exceeded.

cent) and the maintenance of a safeguard clause as in 1978²⁶. Wage determination in 1980 and 1981 was left to the social partners. The agreement signed in early 1980 between the Employers' Federation and one of the two largest trade unions, set pay limits at 13-16 per cent for 1980 and 11-15 per cent for 1981²⁷. These wage norms as well as other clauses included in the agreement were not legally enforceable but meant to provide a framework within which collective bargaining could be carried out at company and sector levels in an orderly manner. Nevertheless, although the other large trade union did not sign the agreement, the average increase in contractual wages remained approximately within the agreed limits.

Though it may have been important, the change in the concept of inflation used in wage adjustments would not have been sufficient to achieve the steady deceleration in wage increases registered since 1978²⁸. Two additional factors seem to have played a crucial role; first, the worsening general economic conditions with increasing labour market slack, and second, the greater degree of social consensus attained since the Moncloa agreements. The low sensitivity of wages to the rise in unemployment up to 1977 (from 1½ per cent of the labour force in 1974 to 5¾ per cent) is perhaps attributable to the high degree of "internalisation" of the labour market²⁹ entailed by the particular institutional setting which existed under the old regime. As dismissals of workers were allowed only in cases of bankruptcy or near bankruptcy the increased supply of workers in the "external" labour market probably did not have much influence on wage determination in the internal markets.

Since 1978, however, real growth of the economy has slowed down considerably and unemployment has risen sharply. With a marked deterioration in their financial position, enterprises reduced their work force substantially. Thus, both internal and external labour markets were affected as evidenced by the increasing number of laid-off workers and the extension of short-time working. This large-scale adjustment may to some extent have been facilitated by the measures taken since 1980 in order to increase the flexibility of the work force. Although increasing labour market slack has played an important role, there

26. The clause provided for a revision of the norm in case price increases exceeded 11.5 per cent in the first six months of 1978. For 1979, the corresponding figure was 6.5 per cent.

27. This agreement, often referred to as AMI, also included provisions for reductions in working hours, improvement of productivity and a better control of absenteeism. The threshold rate of consumer price increases for the revision of wage norms was set at 6.75 per cent for 1980 and 6.6 per cent for 1981 during the first six months.

28. As already noted in past OECD Surveys, due to various factors (changes in data collection, impact of tax reform, etc.) actual wage developments are very difficult to measure precisely. According to national accounts estimates, compensation per employee (including social security contributions) has developed as follows in recent years; annual percentage change:

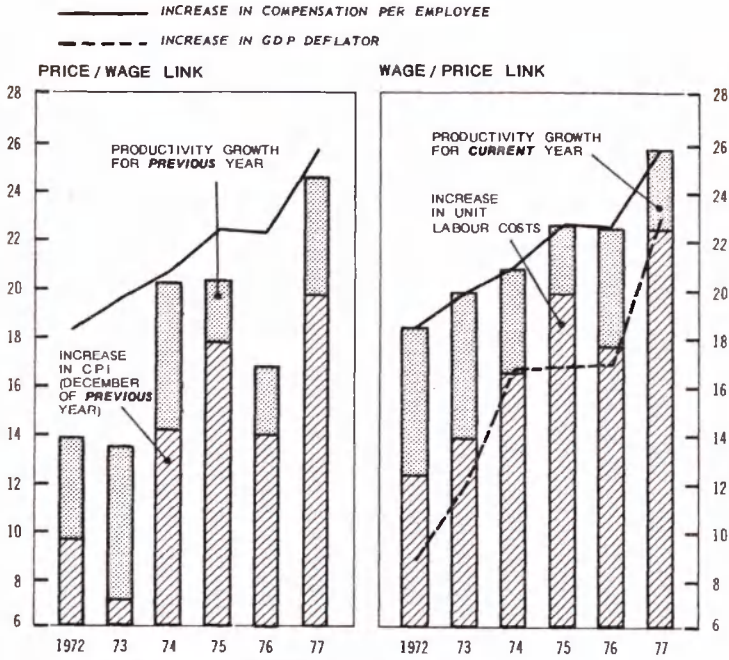
1977	1978	1979	1980	1981
25.6	25.4	17.4	19.3	16½

For other wage indicators see Part I as well as the Statistical Annex.

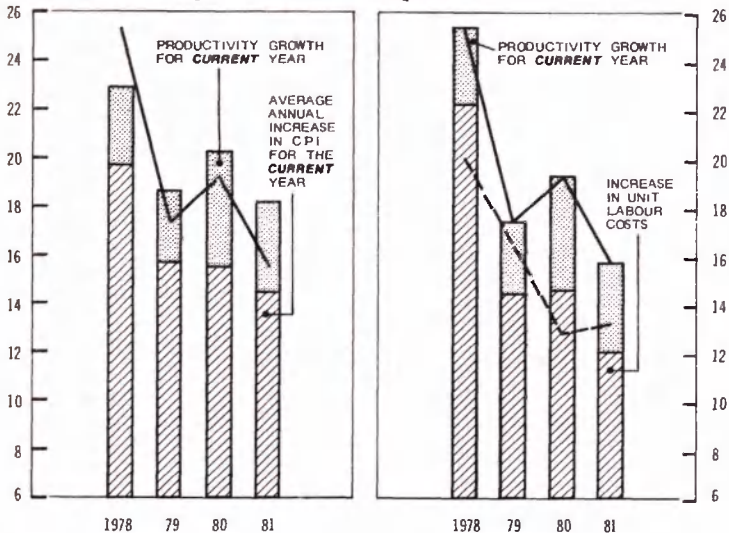
29. The "internal labour market", a concept first introduced by American scholars to provide a more comprehensive explanation of labour market phenomena, is defined to be an administrative unit within which the pricing and allocation of labour is governed by a set of administrative rules and procedures, which accord certain privileges to the internal labour force such as exclusive rights to job vacancies and continuity of employment. See Peter B. Boeringer and Michael J. Piore, *Internal Labour Markets and Manpower Analysis* (Heath Lexington Books, 1971).

Diagram 6. Wage-price spiral

a) 1970-1977: period of upward spiral



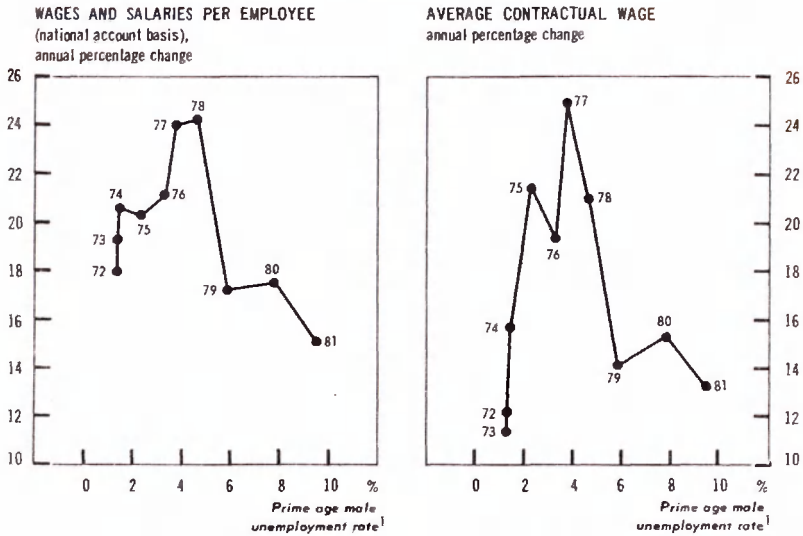
b) 1978-1981: period of downward spiral



Sources: National Statistics Institute and OECD Secretariat.

seems little doubt that without the degree of social consensus and the sense of national solidarity revealed over the last few years, the moderation in wages might only have been obtained after considerable industrial strife and with greater social costs.

Diagram 7. Wages and labour market slack



1. This covers the age group 25-54. For the 1972-1975 period the rate is for the age group 30 and above and includes women. For 1976 an average of these two series is used.

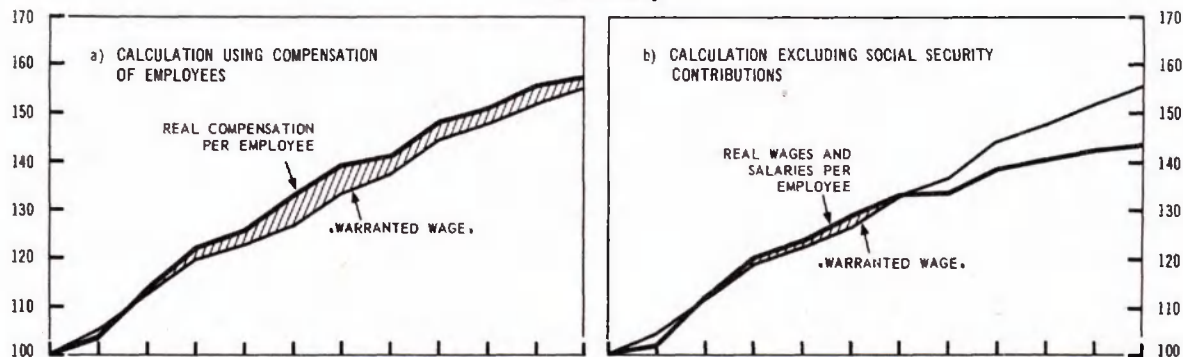
Sources: National Statistics Institute, Ministry of Labour and OECD Secretariat.

The June 1981 tripartite agreement between the government, trade unions and employers' federations (National Employment Pact or ANE) was a further important step towards wage moderation through enhanced social consensus³⁰. The main feature of the agreement was a commitment by the social partners to keep contractual wage increases for 1982 within a range of 9-11 per cent, subject to an automatic adjustment clause in case consumer price increases were to exceed 6.9 per cent during the first six months of the year. A maximum of 9 per cent was set for civil servants' wage increases (of which 1 per cent for productivity gains) while companies included in reconversion plans were required to adhere to lower norms established for each specific programme. The agreement also provided for a 10 per cent ceiling for increases in social security pensions. For civil servants' pensions the norm was set at 9 per cent. The wage norms were based on the assumption of a 12 per cent price increase in 1982. The key counterpart for this implicit cut in real wages was a commitment by the Government to restore by the end of 1982 the same level of dependent employment as in mid-1981 when the ANE was signed. The agreement also provided for measures to alleviate difficulties of the unemployed, employment promotion measures, and the reform of the social security system. Overall, the present social consensus, if maintained and even enhanced, could contribute to a greater flexibility of real wages, the high level of which is not unrelated to the fall in employment over the last several years.

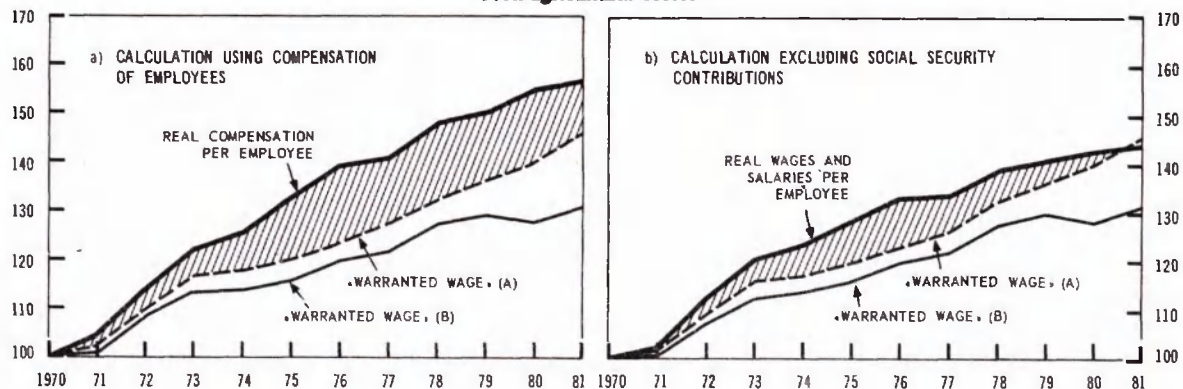
30. The agreement is operative up to the end of 1982. It was, however, agreed that before the expiry date, the signatories would study its possible revision and renewal.

Diagram 8. Estimates of real wage gap¹

Total economy



Non-agricultural sector



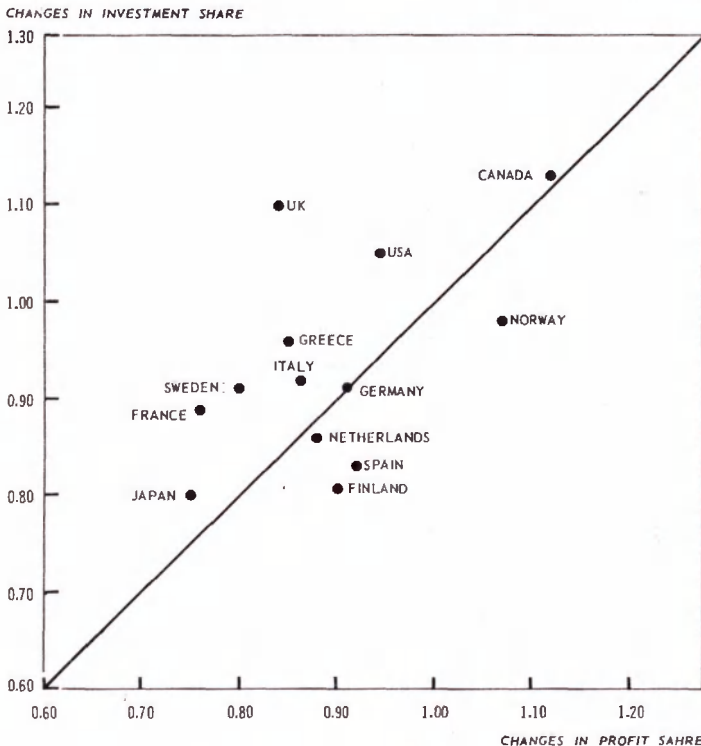
1. For details of calculation see Technical Annex.

Sources: Appendix C to *La economía española en 1980 y las perspectivas a corto plazo* by Dirección General de Política Económica y Previsión del Ministerio de Economía y Comercio, 1981; OECD Secretariat.

Labour costs and employment

Some indication of the existence of a real wage problem may be provided by a comparison between real wage increases and productivity growth adjusted for terms of trade developments (the so called "warranted wage"³¹). The "real wage gap"—the discrepancy between these two sets of variables—is often interpreted as a measure of labour cost pressure and is normally expected to be inversely related to employment. Given its sensitivity to the choice of the concept used, any calculation of the real wage gap is necessarily tentative. Nevertheless, estimates reported in Diagram 8 suggest the existence of a significant gap in the non-agricultural sector. These results must, however, be interpreted with caution. As noted in last year's Survey, the very marked slowdown in the medium-term growth rate of the Spanish economy has influenced the decline in the share of investment in GDP, which in turn has probably affected the share of profits. To the extent that the slowdown in economic growth since the first oil crisis was the result of other factors (external and domestic) and not directly related to real wage developments, some increase in the wage share and therefore a widening in the gap was inevitable.

Diagram 9. Investment share and profit share¹



1. The vertical (horizontal) axis measures the ratio between the average level of the share of non-residential business fixed investment (gross operating surplus) in nominal GDP in the periods 1978-1980 and 1970-1973. For Norway and the United Kingdom the calculations exclude the energy sector.

Sources: OECD National Accounts and Secretariat estimates.

31. For more details on the methodology and the statistics used see Technical Annex on "real wage gap" calculations.

Although the gap widened rapidly after 1973 the downward adjustment of the work force only started in 1978. The delayed adjustment was primarily due to employment practices and to the prevailing economic conditions which allowed companies to shift rising costs on to prices. But, as this process continued, profits were gradually squeezed and pressure for adjustment mounted. Thus, as economic growth slowed down further, affected by the stabilisation measures of mid-1977, the appreciation of the peseta from 1978 to mid-1979 and the second oil crisis, employment levels were rapidly curtailed. It is interesting to note, however, as suggested by Diagram 8, that a large part of the real wage gap would seem to be attributable to the substantial cost impact of social security contributions.

The GDP share of social security tax is not very different in Spain from the average of other OECD countries with comparable institutional arrangements. Its share in the overall tax burden is, however, significantly greater since tax revenue (excluding social security contributions) is among the lowest in Member countries in relation to GDP. Moreover, the direct cost pressure on companies has tended to be greater than in other countries because of the higher share of employers' contributions. Up to 1977, the cost burden of social security tax has risen rapidly in Spain; since then, some moderation has taken place mainly because the State budget has financed a higher proportion of social security expenditure. The share of contributions in total social security revenue fell from 97 per cent in 1977 to 90 per cent in 1979 and 82 per cent in 1981, reflecting the marked increase in the State transfers discussed in Part II. The employers' share of contributions has also declined from 80 $\frac{3}{4}$ per cent in 1977 to 79 $\frac{3}{4}$ per cent in 1979. As a consequence, employers' contributions as a percentage of compensation of employees, which had risen from 14 per cent in 1970 to 18 per cent in 1977, fell to 17 per cent in 1979. As noted earlier, ANE has provided for a substantial increase of State transfers to the social security in 1982, with a corresponding reduction of 1 percentage point in social security contributions.

Although the development of income shares has had a negative impact on employment through depressed profits and lower investment, other factors have also importantly affected labour market conditions. Given international transmission mechanisms, in a context of weak growth in the world economy, a slowdown in the medium-term growth performance of the Spanish economy was

Table 9. Changes in the structure of social security contribution

	Spain					OECD Europe ¹		
	1970	1977	1979	1980	1981 ²	1970	1977	1979
Social security contribution								
as percentage of:								
GDP	6.4	10.7	11.7	11.6	11.3	7.0	9.6	9.6
Total tax revenue	37.4	49.7	50.2	47.5	46.4	25.0	27.4	27.1
Total social security revenue	91.7	97.0	90.1	84.9	82.1	82.4	80.8	78.8
Employers' social security contribution								
as percentage of:								
Total contribution	80.1	80.7	79.8	..	..	66.3	69.1	68.6
Compensation of employees	14.1	18.1	16.9	..	..	11.6	14.3	14.4

1. Simple arithmetic average for all European Member countries for which data are available over the period compared.

2. Estimates of the Ministry of Finance.

Sources: OECD, *Revenue Statistics of OECD Member Countries, 1965-1980* and *National Accounts of OECD countries*.

ineluctable and its detrimental consequences on employment were aggravated by return flows of migrant workers. In addition, the burden of social security charges on labour costs has tended to distort relative factor costs, thus altering the relationship between output and labour inputs. Furthermore, as in many other Member countries, labour market rigidities of various sorts have contributed to the surge of unemployment.

It is mainly with a view to solving these problems that, in addition to measures designed at stimulating demand for labour in general through the reduction of labour costs³², the authorities also took a great number of specific measures. Incentive schemes have been introduced for the employment of young people³³, women with family responsibilities, returning emigrants, the handicapped and persons receiving unemployment benefits, while regional employment incentive programmes have been launched in recent years. On the other hand, steps have been taken to prevent fraud in unemployment benefits and to tighten the scrutiny of acceptances and refusals of job offers made to those receiving benefits. A number of measures were aimed at promoting employment directly: the minimum age of entering the labour market was raised from 14 to 16 years; maximum overtime work was lowered; and a maximum retirement age was established at 69 years. Overtime is penalised through imposition of additional social security tax and the flexible forms of contracts stipulated in the 1980 Workers Statute were introduced³⁴. Finally, the regulations concerning dismissals were made more liberal but so far the impact of this measure has remained limited since the cost of firing workers is rather high.

Energy dependence and industrial restructuring

As discussed in earlier OECD Surveys, due to the delayed adaptation of the economy to the changed world energy situation, in Spain the ratio of energy consumption to GDP rose up to 1979, whereas it fell in other OECD countries. However, following Government approval of the National Energy Plan in July 1979, promulgation of related laws and the significant increase in the real price of energy since mid-1979³⁵, signs of progress have begun to appear. Dependence

32. As noted these include the setting of wage guidelines, increased State transfers to the social security budget as well as various fiscal incentives. A tax rebate for employment was introduced in November 1977. The rate, set at 20 per cent of wages paid to the new recruits, was raised to 25 per cent in July 1979. In addition, a greater investment tax credit was granted (15 per cent instead of 10 per cent) for job-creating investments.

33. Thus, the total cumulative number of placements made through the 1978 programme amounted to roughly 860 000 in the 3½ years to July 1981. New provisions for contracts designed to promote the employment of young people have been promulgated as a result of the ANE.

34. Contracts for part-time as well as temporary work became legal in July 1981. A limit was set for the number of contracts for temporary work, expressed as a percentage of the workforce in each establishment according to its size.

35. The energy components of the industrial price index and of the consumer price index rose substantially in 1980-1981 in both nominal and real terms (deflated by the respective non-energy component indices):

	Percentage change		
	1979	1980	1981
Industrial price index			
Nominal	11.7	48.3	39.1
Real	1.1	27.4	24.3
Consumer price index			
Nominal	13.8	45.2	33.3
Real	-1.9	27.1	17.5

on oil imports fell more than envisaged in the 1978 Plan thanks mainly to a substantial increase in domestic production of coal. Energy conservation also progressed more than expected. These developments were taken into consideration in the revised Plan³⁶ which aims at a lower growth of total energy requirements, reflecting lower projected GDP growth and further energy saving. The share of nuclear energy and petroleum is also expected to be lower and that of coal higher than in the 1978 projections.

Table 10. Supply structure objectives of the National Energy Plan¹
Percentage of total primary energy requirements

	1981 (estimate)	1985	
		PEN 1978 objectives	Revised objectives
Hydropower	11.3	9.8 ²	10.0 ²
Nuclear	3.4	13.2	10.6
Coal	21.3	16.2	24.3
Natural gas	2.6	5.2	5.4
Petroleum	61.4	55.6	49.3
New energy source	—	—	0.4
Total primary energy requirement	100.0	100.0	100.0
(Million ton equivalent of coal)	(105.1)	(134.3)	(124.2)

1. The Plan covers period up to 1990.

2. Assuming average rainfalls.

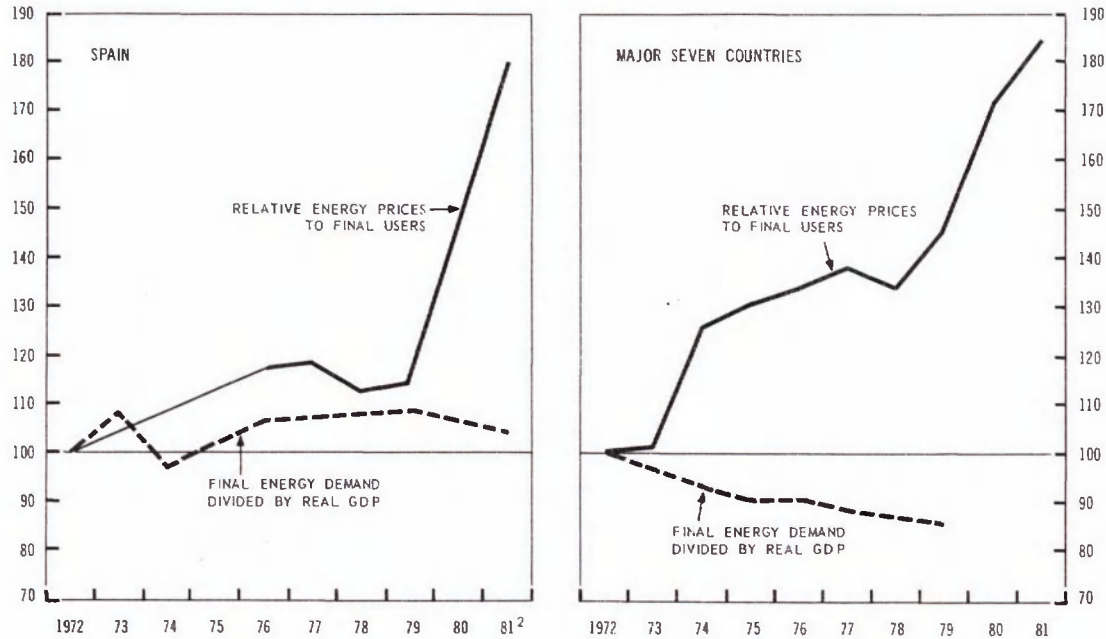
Source: Ministry of Industry and Energy.

Investment in the energy sector, mainly in the electric power industry, increased substantially in 1980-1981, contributing to supporting economic activity during the period. According to estimates by the Ministry of Industry and Energy the nominal growth of total energy-related investment accelerated sharply from around 7 per cent in 1979 to over 40 per cent in 1980 and 1981, raising its share in total fixed capital formation from around 11 per cent in 1979 to 16½ per cent in 1981. A further large increase is expected in coming years. Capital expenditure consists of construction of nuclear power plants and several coal-fired stations, of infrastructures to import, store and transport natural gas and coal and of technical modifications to allow existing industrial plants to shift from oil to coal. These investments are being encouraged through provision of low cost financing from official credit institutions and through fiscal incentives. It should also be noted that as part of the rationalisation of the energy sector, a new state energy holding (INH) was set up in 1981 by hiving off five companies previously under the National Institute of Industry (INI). This new holding now controls all state activities in the field of hydro-carbon exploration, production, transport, refining and petro-chemical production, which is expected to result in cost savings and better marketing conditions.

As discussed in last year's Survey, Spain's industrial structure has been particularly vulnerable to the changes in the economic environment since the

36. A reassessment of the National Energy Plan must take place every two years; the Plan approved in 1979 was, therefore, revised in December 1981.

Diagram 10. Relative energy prices¹ and final demand
1972=100



1. Energy components of CPI and WPI (industrial price index for Spain) divided by non-energy components of the respective indices. The composite indices shown in the Diagram are calculated as a weighted average of these two relative energy prices. The weights used are shares of industrial and other uses (excluding transport sector) in the total final energy consumption by these sectors.

2. Secretariat estimates.

Sources: National Statistics Institute, IEA and OECD Secretariat.

mid-1970s. Traditionally important sectors have been faced with a sharp slow-down in world demand and increasing competition from newly industrialising countries. Difficulties for these sectors have been compounded by mounting labour cost pressure, insufficient product differentiation, a narrow technological base, excessive fragmentation and a high dependence on short-term bank loans. As a result, their products have suffered a substantial loss of competitiveness. Moreover, the development of technology-intensive industries has remained rather slow.

Industrial policy has primarily been focused on restructuring the crisis-ridden sectors. Progress has been inevitably slow given the very nature of the problems involved. Various plans have been drawn up and negotiation efforts made since 1977, but the legal base was only established in late 1980 for the plans to rationalise the special steel industry and a sub-sector of the electric home appliances industry. These plans were drawn up on the basis of three basic principles: initiative and responsibility should rest with the private sector; the government's role should be limited to providing necessary support subject to actual implementation of the plans; the granting of such support should be made to the concerned sector as a whole. These principles were confirmed in 1981 by the promulgation of the Law on Industrial Reconversion, which provided a firmer legal base than hitherto to the restructuring policy. In 1981, additional reconversion plans were officially approved for three sectors—integrated steel, textiles and automobile electrical parts. Further supplementary legal dispositions were also provided to implement the plans approved in 1980, including the establishment of the joint-stock company (ACERIALES) for the restructuring of the special steel industry. Apart from industrial restructuring, somewhat greater policy efforts have been made in 1981 to promote research and development and to give support to small and medium-sized companies. Efforts made so far in these areas remain, however, very small compared with those in reconstructing the traditional industries.

Public finance problems

As noted, the consensus reached for achieving an "exogenous" slowing down in the growth of nominal wages through incomes policy arrangements should facilitate the task of demand management policy. It should notably relieve the heavy burden placed so far on monetary policy, allowing a further steady deceleration in the growth of monetary aggregates in line with the gradualistic approach followed by the authorities in recent years. But the rapidly rising public sector deficit, which has been essentially financed through the banking system, could impose serious constraints, if the economy were to expand at a sustained pace over the medium term.

As in many other countries, public finances have registered a steady deterioration since the mid-1970s. In spite of the 1978 tax reform which resulted in substantial improvements in tax collection, the growth of revenues has lagged considerably behind that of expenditures, especially current spending. The share of public expenditure in GDP is still significantly lower than the OECD average but its increase in the 7 years to 1981 has generally been faster than elsewhere (11.5 percentage points). As a result, the overall position of the general government account (national accounts basis) shifted from a small surplus in 1975 to a deficit of 4 per cent of GDP in 1981. Correspondingly, government gross saving which still amounted to 3.5 per cent of GDP in 1975 became slightly negative in 1981. The main reason behind this deterioration is to be found in automatic stabilizers, i.e. the negative impact of the sharp slow-down in economic growth on tax revenue and the escalating budgetary cost

of unemployment compensation. Discretionary measures to support employment in both the public and the private sectors, as well as an expansion of the coverage of social benefits have also contributed. Although more rapid economic growth than achieved in recent years would undoubtedly help to reduce the cyclical component of this deficit, some elements are clearly of a more permanent nature. It may be noted in this connection that interest payments on the public debt have started to rise rapidly, although still remaining low in relation to total current expenditure. Since in coming years economic growth is likely to remain moderate by past standards, a significant reduction in the budget deficit may be difficult to achieve unless the tax burden, which is at present among the lowest in the OECD area, were to be raised. In this context, the introduction of the value added tax scheduled for 1984 should increase the income elasticity of indirect taxes.

The current process of regional and local decentralisation may also complicate the budgetary process and it is not excluded that the transfer of financial responsibilities to regional authorities will result in some duplication of functions and a greater expansion of public employment. An important area where inefficiencies could be remedied and waste reduced is the social security system. Problems have long been recognised but it was not until recently that a commission was appointed by the Government to make recommendations for a far-reaching reform of the system. So far, however, no agreement has been reached with the social partners.

IV. SHORT-TERM OUTLOOK AND CONCLUSIONS

Short-term outlook

The economic climate seems likely to become more conducive to a strengthening of activity and a reduction of inflation. As noted, most recent indicators suggest that an upturn may already be under way. Furthermore, economic policy continues to be expansionary and the growth of Spain's export market is projected to remain moderately buoyant. Import prices are expected to decelerate, helped by the softening of international prices of primary raw materials including oil; and the wage contracts signed so far indicate a further moderation in wage increases. On this basis, a moderate recovery of activity is forecast over the next twelve months or so, led by export and public spending. Assuming a normal agricultural year, real GDP is projected to grow by around 2½ per cent, about half of which accounted for by the change in net exports. Inflationary pressures are likely to abate further, helped by moderate wage growth and a slowing down in import prices, but unemployment is projected to continue to edge upwards, albeit at a slower rate. Given the continuing strength of tourism activity and sustained merchandise export growth, the current external deficit is likely to narrow to around \$ 3½ billion.

Real private consumption is forecast to fall slightly in 1982, implying, however, a moderate recovery in the course of the year. On the assumption that the increase in contractual wages will fall within the range specified by the ANE, the total wage bill may rise by around 11 per cent once allowing for some wage drift and a further fall in dependent employment. Given a somewhat greater increase than in 1981 in property and entrepreneurial income and a positive impact of net households' transactions with the government, the rate of increase in nominal disposable income may be of the order of 12½ per

cent, or somewhat lower than the rise in the private consumption deflator. Budget figures suggest that public consumption could increase by 2½ per cent in volume.

Gross fixed capital formation is expected to gain some strength in 1982. Judging from the budgeted appropriations for capital spending (including the 50 billion pesetas additional appropriations approved by the government in April) and the improved rate of realisation in recent years, general government gross fixed investment may expand by around 15 per cent in volume, or more than in 1981. Energy-related and rationalisation investments are likely to remain a source of buoyancy, but in view of the modest recovery of total demand, the strengthening of business fixed investment (including public corporations) is unlikely to become

Table 11. Short-term outlook

a) AGGREGATE DEMAND, EMPLOYMENT AND INFLATION

	1980 ¹	1981 ²	1982 ³	1983 ³
	Billion pesetas	Percentage change, volume		
Private consumption	10 633	-1½	-½	1½
Public consumption	1 704	2½	2½	2½
Gross fixed capital formation	2 887	2	3½	5½
Stockbuilding ⁴	236	-1½	½	½
Total domestic demand	15 460	-2	1½	3
Exports of good and services	2 383	7½	7½	7
Imports of goods and services	2 766	-5½	3½	5
Foreign balance ⁵	-383	2½	1	½
GDP at market prices	15 076	½	2½	3½
GDP deflator		13.3	12½	10½
Consumer price index		14.6	13½	11
	Thousands persons			
Total employment	11 376	-3.2	-2	½
Unemployment	1 428	14.4 ⁶	16 ⁶	15½ ⁶

b) BALANCE OF PAYMENTS

	Percentage change		
Merchandise trade volume ⁶			
Exports	6	8	7
Imports	-5	3½	5
	\$ billion		
Trade balance	-10	-9½	-10
Invisibles, net	5	5½	6½
Current balance	-5	-3½	-3½

1. Provisional official estimates.
2. Provisional figures, partly estimated by the Secretariat.
3. Secretariat forecast.
4. Change as percentage of previous year's GDP.
5. Expressed as percentage of labour force.
6. Customs clearance basis.

Source: OECD Secretariat.

broadly based. Residential construction may continue to fall, influenced by the excess housing stock and the decrease of real household disposable income. However, thanks to the policy efforts to support housebuilding, the pace of decline is expected to be more moderate than in 1981. In all, private fixed investment may grow by $2\frac{1}{4}$ per cent and total fixed investment by around $3\frac{1}{2}$ per cent in 1982. Following a significant decumulation in 1981, the turn-around in stocks is expected to exert a positive contribution to real GDP growth.

The external environment is assumed to become somewhat more favourable as from the second half of this year with export market growth projected to accelerate. On the usual technical assumption of unchanged exchange rates from present levels³⁷, Spain's relative export prices may post a further small decline, which, together with the lagged positive effects of the improvement of external competitiveness in 1981, is expected to lead to gains of market shares. Overall, the volume of merchandise exports is forecast to rise by 8 per cent in 1982³⁸. Given the moderate pace of recovery in total demand, exchange rate assumptions and further progress in energy saving, merchandise import volume is projected to rise by around $3\frac{1}{2}$ per cent. With favourable volume developments more than offsetting a slight deterioration in the terms of trade, the trade deficit may narrow from \$10 billion in 1981 to \$ $9\frac{1}{2}$ billion in 1982. Activity in the tourism industry is expected to remain rather buoyant, mainly owing to improved price competitiveness. The balance on tourism could thus improve by \$ $\frac{1}{2}$ billion to \$ $6\frac{1}{4}$ billion. With net outflows on investment income rising less than in 1981 due to some softening of interest rates abroad and the balance on transfers improving somewhat, the current account deficit may be reduced to around \$ $3\frac{3}{4}$ billion.

Inflationary pressures are expected to abate further in 1982 thanks to the deceleration in wage increases, a moderation in the rise of import prices and higher capacity utilisation. Despite a large increase in net indirect taxes, costs per unit of total demand volume (domestic demand plus exports) could rise by around $11\frac{1}{2}$ per cent, assuming an increase in total compensation of employee of around 13 per cent and a total import bill of 18 per cent. After making allowance for an improvement in profits, the total demand deflator may rise by $12\frac{1}{2}$ per cent, implying an increase of $12\frac{1}{2}$ per cent for the GDP deflator and $13\frac{1}{2}$ per cent for the total domestic demand deflator. Based on these calculations, the private consumption deflator is forecast to rise by around 13 per cent and the consumer price index by $13\frac{1}{4}$ per cent.

Judging from recent labour market trends and the forecast growth of output, the decline in the total number of employed persons may come to a halt towards the end of the year. Year on year, however, total employment may fall by 2 per cent which, assuming a marginal increase in the labour force, could raise the rate of unemployment to around 16 per cent.

If, in 1982, the economy evolved broadly in line with the picture just drawn, the year 1983 could see an expansion of output strong enough to raise employment levels and a further decline in the rate of inflation. Among the conditions required for such a scenario are a relatively favourable international economic environment, maintenance of a moderately expansionary policy stance and further wage moderation. Real GDP may grow by $3\frac{1}{2}$ per cent, with domestic demand

37. This implies a depreciation of the peseta in relation to the average 1981 level.

38. The expansion of exports should be facilitated by the recent authorisation given to the Official Credit Institute to borrow additional 80 billion pesetas on both domestic and external markets to help export financing. An institute has also been created to co-ordinate various export promotion activities so far carried out by different public agencies.

progressively replacing net exports as a source of strength. Private consumption is likely to pick up, helped by the rise in employment. Private fixed investment can also be expected to accelerate as residential construction should stop falling and business fixed investment should gather forces along with the improving profits. Assuming an increase of 12 per cent for compensation per employee, the rise in consumer prices is forecast to decelerate to 11 per cent. As the smaller improvement in price competitiveness is expected to be offset by a slight acceleration in market growth, export volume is likely to grow at roughly the same pace as in 1982. Import volume, on the other hand, should recover somewhat. Assuming roughly unchanged terms of trade, these volume developments may result in a slight deterioration in the trade balance. The current external deficit may, however, narrow to the tune of \$ 3¼ billion thanks to a rising surplus on invisibles.

Conclusions

Although economic developments in 1981 have been disappointing—very slow growth, rising unemployment to one of the highest rates in the OECD area, persistently high inflation and a significant current account deficit—the process of correcting fundamental imbalances was carried several steps further. The most positive achievement was probably the better control over nominal wage developments and the continued deceleration in the growth of unit labour costs. The international competitive position has also improved significantly owing to the depreciation of the peseta—which has led to gains of market shares. Spain's high dependence on imported energy—one of the main structural weaknesses of the country—has been reduced owing to a more appropriate pricing policy and financial incentives to promote conservation. Concrete measures have also started being implemented in the crisis-ridden sectors—a development long overdue, given the vulnerability of the country's industrial structure.

However, in the context of a weak international environment induced by the second oil shock and the tight policies pursued in most Member countries, the adjustment of the Spanish economy has not been without difficulties. The problems besetting the country are clearly complex relating not only to economic factors but also to general conditions. Weak growth has compounded the employment problems stemming from the lagged adjustment of the labour force to the rapid rise in real wages up to the late 1970s. In spite of some reduction in participation rates the unemployment rate has risen sharply reaching 15 per cent towards the end of 1981. Automatic stabilizers have also exerted heavy pressures on the public sector financial position, which had already seriously deteriorated as a result of discretionary measures taken to support activity and to improve social benefits. The growing financing requirements of the public sector have complicated the task of monetary management, and despite its positive medium-term implications, the upward adjustment of energy prices has also contributed to maintaining a relatively high rate of inflation.

Economic policy has thus been faced with particularly difficult tasks. In an unfavourable international environment the authorities had to cope with an alarming unemployment rate without abandoning the efforts to contain inflation. And there were pressing needs for structural adjustment in the economy at a time when business expectations were negatively affected by the recessionary trends and non-economic factors. The policy dilemma familiar to many countries had taken a stark form in Spain. Given the persistence of double digit inflation with an unemployment rate of some 15 per cent, new policy initiatives were clearly required. A basic feature of the government's response was to seek the largest consensus possible with representatives of employers and labour for a

balanced set of policies and this was embodied in the tripartite agreement concluded in June 1981. The policy approach defined last year has already yielded some positive results but difficult problems remain ahead.

Short-term measures to cope with the recession and rising unemployment included a considerable increase in investment by general government and public enterprises, a policy re-confirmed in the 1982 Budget. The expansion of public works seems to have already imparted a stimulus to the depressed construction sector, although the prospects for housebuilding are more uncertain. Moreover, public enterprises and the energy-related sectors are largely responsible for the recovery of investment in machinery and equipment. The emphasis placed on the promotion of investment is welcome. If the forecasts for a gradual recovery in the major foreign markets are confirmed, the volume of exports of goods and services should also continue to rise fairly fast this year and into 1983, thus contributing to the expected gradual upturn of activity. This should lead in due course—but not in the immediate future—to some modest reversal of the rise in unemployment.

There are two fundamental problems: how to obtain a sustainable and not a merely temporary upturn of economic activity; and since real GDP is unlikely to grow very fast over the next few years, how to achieve the largest possible beneficial effects on employment. This first issue relates to the risk of accelerating inflation when demand conditions strengthen. Although oil and raw material prices are likely to have a favourable influence this year, a prudent monetary policy is necessary but not sufficient. The present rate of inflation, though considerably lower than a few years ago, is still high and can only be permanently reduced if nominal income increases of all categories of the population are brought down closer to potential productivity gains. If the degree of consensus for moderation achieved in 1981 could be maintained and reinforced in the future, the gains on the inflation front could be gradual but of a lasting nature.

The relation between output and employment growth is a complex issue related to the structural imbalances of the economy discussed in this Survey. Real wages continued to increase during a period of slow growth of output and deterioration of the terms of trade and the resulting "real wage gap" had to be corrected sooner or later. A temporary reduction of real wages seemed ineluctable and has been accepted in principle for 1982. Subsequently an appropriate adjustment would imply stabilisation of real wages for a time while productivity increases close the "gap". But productivity gains will depend partly on the speed of reconversion of uncompetitive enterprises and branches of industry, on the removal of remaining rigidities in labour regulations and on the promotion of a sufficient degree of competition. Looking at the future, it would be generally agreed that the capital or labour intensity of particular enterprises or industries should better be determined by the operation of market forces. But, as has been argued in earlier OECD Surveys, the economic policies applied in the past have often penalised the use of labour, the more abundant factor of production. Examples are the provision of heavily subsidised public credits for the creation of capital-intensive plants; and, of more general importance, the rising share in general government revenue of social security contributions, a direct tax on the use of labour.

As in other Member countries, the growing deficit of the public sector is a matter of some concern and is likely to create difficult problems for monetary management. The planned gradual deceleration in the growth of monetary aggregates for counter-inflationary purposes and the need for monetary financing of the largest part of the public deficit (in the present conditions of the capital market) imply the risk of a restriction of domestic credit to the private sector. On the other hand, the authorities need to ensure that private credit inflows

from abroad are not incompatible with their exchange rate objectives. These problems may be partly temporary, to the extent that the increase in the budget deficit is a direct, reversible result of the recession. However, there are also more permanent factors behind the current trends in public finance.

On the expenditure side of general government there are, as in other countries, underlying social pressures for the expansion of health, education and welfare services and infrastructures. Moreover, the institutional changes towards regional and local autonomy are likely to accelerate the rising trend of public expenditure. On the revenue side, the rapid increase of social security contributions has only ceased in the recent period because of large transfers from the State budget to the social security system, and a corresponding increase of the deficit. Moreover, despite the tax reforms introduced in 1978, tax revenue in relation to GDP remains low compared with most other countries. Over the medium term, a better balance must be achieved between total public revenue and expenditure and this will probably require basic reforms of social security as well as an enlargement of the tax base. But the composition of public expenditure needs also to be corrected, as far as possible, in order to increase the share devoted to basic public services and investment and to reduce the amounts devoted to sustaining uncompetitive enterprises. Apart from direct subsidies and tax exemptions, the official credits channelled to such firms imply that the burden of monetary restraint—in terms of availability of credit and interest rates—largely falls on the more dynamic and efficient firms, thus hindering the needed re-allocation of resources.

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ANNEXES

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Technical annex

CALCULATION OF THE REAL WAGE GAP

Estimates of the real wage gap are based on data reported in Technical Annex Table 1, 2 and 3. Real wages are defined as compensation of employee (part "a" of Diagram 8) or wages and salaries (part "b") per dependent employee deflated by the private consumption deflator. "Warranted wages" are defined as GDP per employed person adjusted for the terms-of-trade change. The latter is measured as:

$$X_{-1} \left(\frac{1}{P_a} - \frac{1}{P_x} \right) + M_{-1} \left(\frac{1}{P_m} - \frac{1}{P_a} \right)$$

- where X_{-1} = exports of goods and services, lagged one period;
 M_{-1} = imports of goods and services, lagged one period;
 P_x = export deflator;
 P_m = import deflator;
 P_a = $(P_x + P_m)/2$.

In the absence of separate estimates, calculations for the non-agricultural sector use wage data for the total economy. The warranted wage (B) shown in Diagram 8 is based on productivity measured as non-agricultural GDP at 1970 prices divided by the total number of employed persons in the non-agricultural sector. The productivity used for the warranted wage (A) is the ratio between non-agricultural GDP at 1970 prices and dependent employee for the total economy, which may be interpreted as approximating a wage norm for the corporate sector.

Table 1. Data used in the calculation of real wages

	Compensation of employee (billion pesetas)	Wages and salaries, net (billion pesetas)	Dependent employee (thousands)	Private consumption deflator (1970=100)
1970	1 246.7	1 038.0	8 037.6	100.0
1971	1 443.7	1 190.1	8 276.0	108.0
1972	1 755.6	1 442.8	8 504.5	116.9
1973	2 139.9	1 756.1	8 664.6	130.2
1974	2 654.5	2 178.9	8 906.0	153.1
1975	3 235.0	2 608.1	8 858.3	177.0
1976	3 978.7	3 173.4	8 903.6	206.7
1977	5 051.3	3 976.5	8 999.2	256.4
1978	6 264.5	4 888.2	8 899.9	305.9
1979	7 233.2	5 625.7	8 743.6	353.6
1980	8 281.9	6 353.0	8 398.2	409.1
1981	9 210.2	7 020.1	8 104.3	468.4

Table 2. Data used in the calculation of productivity

	GDP at factor costs, total economy (billion 1970 pesetas)	GDP at factor costs, non-agriculture (billion 1970 pesetas)	Employment, total (thousands)	Employment, non-agriculture (thousands)
1970	2 394.5	2 147.5	12 501.3	8 809.5
1971	2 527.2	2 252.6	12 599.0	9 143.5
1972	2 744.1	2 469.0	12 825.3	9 483.8
1973	2 965.3	2 679.6	13 053.5	9 770.3
1974	3 141.1	2 831.1	13 222.1	10 047.9
1975	3 182.4	2 874.0	13 000.3	10 052.5
1976	3 286.5	2 964.7	12 761.5	10 044.9
1977	3 388.3	3 079.2	12 755.8	10 225.1
1978	3 488.6	3 157.8	12 604.6	10 152.0
1979	3 509.5	3 193.9	12 423.5	10 106.9
1980	3 562.2	3 218.2	11 973.3	10 025.8
1981	3 562.2	3 250.4	11 614.1	9 775.2

Table 3. Data used in the calculation of changes in the terms of trade

	Exports of goods and services at current prices (billion pesetas)	Imports of goods and services at current prices (billion pesetas)	Reciprocal of export deflator (1970=100)	Reciprocal of import deflator (1970=100)	Terms of trade change (billion 1970 pesetas)
1970	347.9	371.8	100.00	100.00	—
1971	416.7	393.0	94.34	95.24	3.24
1972	496.7	497.9	88.81	93.72	19.86
1973	597.5	640.0	80.45	84.89	22.08
1974	735.8	979.7	65.88	59.74	-37.93
1975	800.7	1 037.3	59.67	55.80	-33.04
1976	1 014.7	1 306.0	51.81	48.78	-27.74
1977	1 322.6	1 517.0	43.12	40.02	-35.80
1978	1 694.8	1 611.3	37.23	37.24	0.00
1979	1 923.3	1 926.0	34.69	34.81	1.98
1980	2 386.0	2 764.0	29.15	24.88	-82.18
1981			24.29	19.14	-132.63

STATISTICAL ANNEX

Table A. **Main aggregates of national accounts¹**
Billion pesetas

	Current prices					1970 prices				
	1976	1977	1978	1979	1980	1976	1977	1978	1979	1980
I. Expenditure										
1. Private consumption	5 012.6	6 374.2	7 688.8	9 102.5	10 633.0	2 425.1	2 486.4	2 514.6	2 562.0	2 572.9
2. Government consumption	711.5	921.0	1 169.3	1 425.8	1 703.8	309.8	322.6	340.4	354.8	366.2
3. Gross fixed capital formation	1 577.7	1 927.3	2 223.4	2 462.2	2 887.1	770.7	768.9	755.0	720.0	730.3
a) Construction	991.4	1 219.4	1 455.9	1 639.6	..	436.9	432.5	423.9	404.5	..
b) Machinery and equipment	586.3	707.9	767.5	822.8	..	333.8	336.3	331.1	315.5	..
4. Changes in stocks	223.6	150.2	62.9	164.2	235.6	77.6	45.3	16.5	38.9	47.6
5. Exports of goods and services	1 014.7	1 322.6	1 696.8	1 934.8	2 383.0	525.8	570.3	631.4	666.5	694.1
6. <i>less:</i> Imports of goods and services	1 306.0	1 516.9	1 616.5	1 932.8	2 766.0	637.0	607.0	602.8	672.4	686.3
7. Gross domestic product at market prices	7 234.1	9 178.4	11 224.7	13 156.6	15 075.9	3 472.0	3 586.5	3 655.1	3 669.7	3 724.8
II. Value added by sector										
1. Agriculture, forestry and fishing	639.6	793.6	955.2	991.8	1 070.2	348.0	333.1	355.1	343.2	374.1
2. Industry	2 098.2	2 615.5	3 137.5	3 590.6	4 107.7	1 103.1	1 154.6	1 174.9	1 181.9	1 191.3
3. Construction	569.4	700.3	835.5	964.1	1 049.0	232.9	228.2	217.5	206.8	198.6
4. Services	3 541.3	4 584.9	5 816.7	7 010.7	8 160.4	1 602.5	1 672.4	1 732.1	1 758.6	1 779.7
5. Gross domestic product at factor cost	6 848.5	8 695.3	10 744.9	12 557.2	14 387.2	3 286.5	3 388.3	3 479.6	3 490.5	3 543.7

1. In 1977 the National Statistics Institute (INE) carried out a general revision of the Spanish national accounting system. The base year was changed from 1964 to 1970 and so were the accounting methods. In the new base, the level of GDP has been revised upwards by about 17 per cent. Private consumption and gross fixed capital formation have been adjusted upwards considerably, whilst public consumption, exports and imports have been revised downwards. The new accounts integrate general government transactions more closely and reflect the improvements made to the Spanish Statistical system. The figures mentioned here are based on a standardised OECD system, while Spanish sources usually display national accounts according to definitions very similar to those of ESA (European system of integrated economic accounts).

Source: National Institute of Statistics.

Table A. Main aggregates of national accounts (cont'd)
Billion pesetas

	1975	1976	1977	1978	1979	1980 ¹
III. National income						
1. Compensation of employees	3 235.0	3 978.7	5 051.3	6 195.3	7 238.6	8 294.4
<i>of which:</i> Wages and salaries	2 707.9	3 291.6	4 137.5	5 015.1	5 806.6	..
Employers' contributions to social security	527.1	687.1	913.7	1 180.2	1 432.1	..
2. Property and entrepreneurial income, net	1 899.7	2 193.4	2 777.2	3 484.8	4 073.5	4 656.1
Households and private non-profit institutions ²	} 1 852.1	} 2 138.9	} 2 706.9	} 3 419.4	} 4 013.4	} ..
Corporate and quasi-corporate enterprises, before tax						
General government						
<i>less:</i> Interest paid by general government	28.4	32.4	47.0	62.3	80.8	..
3. Net national income at factor cost	5 134.8	6 172.1	7 828.5	9 680.1	11 312.1	12 896.3

1. Provisional estimates.

2. Excluding interest on consumers' debt.

Source: National Institute of Statistics.

Table B. Income and outlay transactions of households¹
Billion pesetas

	1975	1976	1977	1978	1979
1. Compensation of employees	3 235.0	3 978.7	5 051.3	6 195.3	7 238.6
2. Property and entrepreneurial income, net	1 515.5	1 760.0	2 219.5	2 690.7	3 163.2
3. Social security and social assistance benefits	582.1	754.7	990.0	1 394.0	1 773.3
4. Current transfers	143.9	179.5	235.3	281.1	320.3
5. Change in the actuarial reserves for pensions	4.8	7.2	8.5	7.6	9.8
6. <i>Current receipts</i>	5 481.3	6 680.1	8 504.6	10 568.7	12 505.2
7. Final consumption expenditure	4 101.7	5 012.6	6 374.2	7 688.8	9 102.5
8. Direct taxes on income and property	115.1	161.0	231.4	376.7	496.8
9. Social security and social assistance contributions	644.7	827.4	1 125.0	1 454.8	1 769.3
10. Current transfers	96.8	125.8	170.2	197.9	264.5
11. <i>Current disbursements</i>	4 958.3	6 126.8	7 900.8	9 718.2	11 633.1
12. <i>Disposable income (6-8-9-10)</i>	4 624.7	5 565.9	6 977.6	8 539.3	9 974.6
13. <i>Gross saving</i>	523.0	553.4	603.8	850.5	872.1
14. <i>Saving rate (13/12)</i>	11.3	9.9	8.7	10.0	8.7

1. This account is presented on an ESA basis.
Source: National Institute of Statistics.

Table C. Public sector accounts¹
Billion pesetas

	1975	1976	1977	1978	1979
1. General government					
Current account					
<i>Receipts</i>					
Gross operating surplus	25.5	29.5	35.7	44.9	55.6
Property income receivable	76.0	88.1	120.0	131.3	145.9
Indirect taxes	403.9	480.4	613.2	693.4	821.9
— on production	282.7	351.3	437.8	521.4	635.4
— on imports	121.2	129.1	175.5	172.0	186.5
Direct taxes on income and wealth	264.2	339.0	448.3	619.6	785.1
— of enterprises	150.8	191.8	233.1	270.8	284.2
— of households	113.4	147.3	215.4	348.8	500.9
Actual social contributions	564.1	729.3	1 005.3	1 300.0	1 583.2
Imputed social contributions	56.6	66.9	79.5	109.6	133.8
Miscellaneous current transfers	100.5	124.4	162.7	192.3	249.3
Total	1 490.9	1 857.5	2 464.6	3 091.1	3 774.8
<i>Disbursements</i>					
Final consumption expenditure	555.8	711.5	921.0	1 169.3	1 425.8
Property income payable	28.4	33.5	49.7	65.9	85.8
Subsidies	68.6	94.7	130.2	213.6	222.5
Social security benefits	558.2	723.9	954.1	1 345.7	1 715.6
Miscellaneous current transfers	62.9	83.2	121.3	145.1	190.0
Statistical discrepancy	3.8	5.3	3.3	-0.5	-3.1
Gross saving	213.1	205.4	285.0	152.0	138.1
Capital account					
<i>Receipts</i>					
Gross saving	213.1	205.4	285.0	152.0	138.1
Capital transfers	—	—	0.4	—	0.5
Capital taxes	14.8	15.4	18.4	21.5	22.9
Total	227.9	220.8	303.8	173.5	161.5
<i>Disbursements</i>					
Gross fixed capital formation	158.3	164.1	237.9	234.5	226.3
Net purchases of land and intangible assets	5.9	6.9	10.9	6.8	7.3
Capital transfers	61.2	71.8	111.5	132.4	161.9
Net lending (+) or net borrowing (-) (Per cent of GDP)	2.6 (0.0)	-22.1 (-0.3)	-56.5 (-0.6)	-200.2 (-1.8)	-234.1 (-1.8)

1. These accounts are on an ESA basis.
Source: National Institute of Statistics.

Table C. **Public sector accounts (cont'd)**
Billion pesetas

	1975	1976	1977	1978	1979
2. Central government					
1. Tax revenue	627.6	771.3	986.7	1 225.0	1 507.1
2. Property and entrepreneurial income (gross)	65.1	75.9	105.5	114.3	122.5
3. Current transfers	100.4	123.7	167.7	205.5	264.4
4. Total current revenue	793.1	970.9	1 259.9	1 544.8	1 894.0
5. Purchase of goods and services	393.6	482.8	632.1	799.3	978.2
6. Current transfers	96.6	118.8	155.3	253.7	237.6
7. Subsidies	62.3	84.4	119.6	204.5	197.3
8. Others	99.9	112.3	138.6	204.8	257.9
9. Total current expenditure	652.4	798.3	1 045.6	1 462.3	1 671.0
10. Gross saving	154.8	189.7	237.1	112.2	157.8
11. Capital taxes	10.5	11.1	13.6	15.9	17.8
12. Capital transfers	0.4	0.1	1.0	0.1	0.7
13. Total capital resources (10 to 12)	165.7	200.9	251.7	128.2	176.3
14. Gross fixed capital formation	92.5	95.4	139.9	145.4	142.0
15. Capital transfers	57.7	75.4	127.4	134.4	167.4
16. Others	3.2	2.7	6.5	5.4	5.1
17. Total capital expenditure (14 to 16)	153.4	173.5	273.8	285.2	314.5
18. Overall financial surplus (+) or deficit (-) (13 less 17)	12.3	27.4	-22.0	-157.0	-138.2

Source: National Institute of Statistics.

Table C. **Public sector accounts (cont'd)**
Billion pesetas

	1975	1976	1977	1978	1979
3. Local government					
1. Tax revenue	98.6	118.4	159.2	200.5	237.4
2. Property and entrepreneurial income (gross)	4.9	5.9	7.5	8.6	12.9
3. Current transfers	11.9	11.0	11.7	14.0	16.1
4. Total current revenue	115.4	135.3	178.3	223.1	266.4
5. Purchase of goods and services	82.1	117.1	134.6	174.8	226.3
6. Current transfers	9.3	11.1	15.9	20.5	29.2
7. Others	11.5	17.2	20.6	20.0	39.6
8. Total current expenditure	102.9	145.4	171.1	215.3	295.1
9. Gross saving	18.8	-3.2	15.4	18.0	-13.7
10. Capital taxes	4.3	4.3	4.7	5.6	5.1
11. Capital transfers	2.3	5.0	19.1	5.4	9.6
12. Total capital resources (9 to 11)	25.4	6.1	39.2	29.0	1.0
13. Gross fixed capital formation	43.9	47.7	64.8	69.3	66.9
14. Capital transfers	0.2	—	0.6	—	0.2
15. Others	2.5	4.3	4.3	1.4	2.3
16. Total capital expenditure (13 to 15)	46.6	52.0	69.7	70.7	69.4
17. Overall financial surplus (+) or deficit (-) (12 less 16)	-21.2	-45.9	-30.4	-41.7	-68.4
4. Social security institutions					
1. Social security contributions	557.6	721.1	994.0	1 289.5	1 570.2
2. Transfers	21.6	23.1	17.6	89.8	131.1
3. Other current receipts	13.2	14.0	17.5	17.0	20.5
4. Total current receipts	592.4	758.2	1 029.1	1 396.3	1 721.8
5. Purchase of goods and services	80.0	111.7	154.3	195.2	221.3
6. Social security benefits	474.7	628.3	842.6	1 179.9	1 509.6
7. Current subsidies and transfers	—	8.9	3.0	3.5	5.0
8. Total current expenditure	554.7	748.9	999.9	1 378.6	1 735.9
9. Gross saving	43.3	13.6	29.2	21.3	-9.0
10. Gross capital formation	22.1	21.0	33.0	19.6	17.3
11. Others	5.9	1.6	3.4	3.6	4.0
12. Total capital expenditure	28.0	22.6	36.4	23.2	21.3
13. Overall financial surplus (+) or deficit (-)	15.3	-9.0	-7.3	-2.0	-30.4

Source: National Institute of Statistics.

Table D. Labour market trends

	1979	1980	1981	1981			
				Q1	Q2	Q3	Q4
Thousands							
Civilian labour force ¹	12 887	12 858	12 865	12 853	12 801	12 887	12 919
Civilian employment ¹	11 766	11 376	11 017	11 112	11 017	11 009	10 931
Agriculture	2 304	2 143	8 045	2 074	1 992	1 994	1 985
Industry	3 220	3 099	2 963	3 025	3 002	2 940	2 885
Construction	1 099	1 023	946	944	940	952	949
Services	5 143	5 111	5 097	5 069	5 083	5 123	5 112
Employees, total	8 201	7 918	7 675	7 724	7 670	7 647	7 659
Unemployment	1 121	1 482	1 848	1 741	1 784	1 878	1 988
Per cent							
Participation rate, total	49.3	48.7	48.2	48.3	48.0	48.2	48.3
Men	73.3	72.1	71.5	71.7	71.3	71.5	71.4
Women	27.4	27.1	26.7	26.8	26.5	26.8	26.9
Unemployment rate, total	8.7	11.5	14.3	13.5	13.9	14.6	15.4
Men	8.2	11.0	13.6	13.0	13.3	13.8	14.3
Women	9.8	12.9	16.2	14.9	15.4	16.5	18.1
Less than 25 years old	22.5	29.7	35.1	33.4	33.9	35.9	37.3
25-54 years old	5.5	7.3	9.2	8.9	9.0	9.1	9.7
Over 55 years old	3.5	4.5	5.6	5.3	5.7	5.5	5.9

1. These exclude those who are on compulsory military service, but include the professional military as well as marginal workers.

Source: National Institute of Statistics.

Table E. Price and wage trends¹
Annual percentage change

	Prices							
	1978	1979	1980	1981	1981			
					Q1	Q2	Q3	Q4
Consumer prices	19.8	15.7	15.6	14.6	18.8	12.6	10.0	16.7
Food	19.2	10.1	9.1	13.6	23.0	3.6	6.5	11.1
Non-food	20.1	19.4	19.5	15.1	16.6	17.9	13.4	11.2
Industrial prices ²	16.4	14.6	17.4	16.0	17.8	21.1	12.7	13.1
Food	16.6	6.0	10.6	14.6	19.3	10.3	16.4	19.9
Non-food	16.4	14.5	17.5	16.2	17.4	22.7	12.3	12.3
Unit value of exports ³	14.3	5.4	19.7					
Non-food	15.1	3.7						
Unit value of imports ³	7.3	7.1	48.7					
Non-energy	7.1	3.4						
	Wages							
	1977	1978	1979	1980	1981			
Average increase in contractual wages		25.0	20.6	14.1	15.3	13.3		
Monthly earnings per employee		27.7	25.4	22.5	16.1	17.0 ⁴		
Daily pay in agriculture		28.3	26.7	17.4	13.2	11.8 ⁵		
Salary cost per head in construction (including social security contributions)		25.1	21.2	17.7	18.6	15.3 ⁶		

1. For consumer and industrial prices, the figures represent percentage changes from the immediately preceding quarter at seasonally adjusted annual rates. Growth rates for export and import unit values are calculated over the corresponding quarter of the previous year, since seasonally adjusted data are not available.

2. Industrial price indices for 1978 have not yet been calculated by the INE.

3. Estimates by the Ministry of Economy and Commerce.

4. As from 1980 the index is slightly different because of a change in presentation by the INE. For 1981, percentage change January-November 1981 over January-November 1980.

5. January-October 1981 over January-October 1980.

6. January-August 1981 over January-August 1980.

Sources: Bank of Spain, National Institute of Statistics and Ministry of Economy and Commerce.

Table F. Money and credit
Billion pesetas

	1980				1981				Out- standing as at 31 Dec. 1981
	I	II	III	IV	I	II	III	IV	
1. Consolidated account of the banking system¹ (quarterly changes)									
I. Liabilities									
1. Money supply (M1)	-154.3	208.1	77.8	359.5	-277.0	226.8	91.6	490.9	4 634.6
2. Quasi-money	317.9	222.0	356.7	367.1	286.7	264.7	402.0	448.4	9 542.9
3. Total	163.6	430.1	434.5	726.6	9.7	491.5	493.6	939.3	14 177.4
4. Bonds	5.4	2.3	2.6	49.9	21.3	9.5	33.4	12.4	385.8
Liabilities = Assets	169.0	432.4	437.1	776.5	31.0	501.0	527.0	951.7	14 563.2
II. Assets									
5. Public sector	177.2	98.3	90.9	22.0	262.1	48.6	215.0	49.4	1 979.4
a) Net advances to	157.3	100.2	96.9	63.1	237.0	87.0	226.3	52.7	1 789.5
i) Central government	171.2	115.0	55.5	56.0	226.0	115.9	171.1	-10.3	1 387.6
ii) Autonomous institutions ²	-13.9	-14.8	41.4	7.1	11.0	-28.9	55.2	63.0	401.9
b) Purchase of government bonds	47.9	27.6	39.5	31.0	52.2	25.7	36.9	87.1	1 612.7
c) less: Grants to official credit institutions	-28.0	-29.5	-45.5	-72.1	-27.1	-64.2	-48.2	-90.5	-1 422.8
6. Private sector	310.3	414.3	387.9	676.1	155.1	589.2	396.0	889.5	13 543.5
a) Advances and bills discounted ³	272.7	416.5	348.7	666.7	125.5	580.4	365.7	865.8	12 259.1
of which:									
i) Commercial banks ⁴	200.1	311.3	266.8	524.8	47.1	438.3	264.3	679.9	8 962.0
ii) Savings banks	48.6	68.3	55.0	89.4	49.0	77.3	58.7	112.4	2 208.8
iii) Official credit	23.8	36.9	27.0	52.5	29.7	64.6	43.4	72.5	1 083.2
b) Bonds and shares	37.6	-2.2	39.2	9.4	29.6	8.8	30.3	23.7	1 284.3
7. External sector	-142.4	-55.8	-1.4	-121.8	-114.1	-78.6	84.4	11.2	-232.9
8. Other assets and liabilities (net)	-176.1	-24.4	-40.3	200.2	-272.1	-58.2	-168.4	1.6	-726.8

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 and small amounts of credit by the Bank of Spain.

4. Including Industrial Banks.

Source: Bank of Spain.

Table F. Money and credit (cont'd)

	1976	1977	1978	1979	1980	1981
2. Bank liquidity						
<i>Changes, in billion pesetas:</i>						
1. Cash reserves	13.2	-3.1	54.1	236.6	77.5	50.2
2. Central bank credit received	183.8	-23.7	-109.0	32.2	13.7	80.5
3. Public securities	80.3	38.2	142.9	103.9	105.4	132.0
<i>Ratios to deposits; end of period, per cent:</i>						
1. Cash	6.9	5.9	6.0	8.8	8.5	7.9
2. Public securities	13.0	12.0	12.8	12.5	11.9	11.8
3. Official credit institutions (changes, in billion pesetas)						
<i>Assets:</i>						
1. Cash	9.5	21.4	-8.9	2.3	8.8	8.7
2. Credit to public sector	30.0	49.2	39.5	71.0	42.2	35.9
3. Credit to private sector	108.7	131.0	156.7	181.6	190.8	251.9
4. Total assets	148.2	201.6	187.3	254.9	241.8	296.5
<i>Liabilities:</i>						
5. Transfers from the Treasury	114.9	147.3	149.9	160.6	175.1	229.9
6. Advances						
from the banking system	15.0	10.0	2.5	24.0	-2.9	19.8
7. Others (net)	18.3	44.3	34.9	70.3	69.6	46.8
8. Total liabilities	148.2	201.6	187.3	254.9	241.8	296.5
4. Capital market						
<i>Gross issues (billion pesetas):</i>						
1. Public securities	137.3	174.6	222.5	315.5	271.5	281.2
Treasury ¹	121.2	152.6	197.6	289.0	243.4	248.5
INI	16.1	22.0	24.9	26.5	28.1	32.7
2. Private securities	336.7	265.0	244.8	211.0	305.2	373.5
Bonds	181.2	174.3	132.4	108.2	183.5	222.9
Shares ²	155.5	90.7	112.4	102.8	121.7	150.6
3. Total	474.0	439.6	467.3	526.5	576.7	654.7

1. Excluding short-term bills.

2. Excluding issues of paid-up-shares.

Source: Bank of Spain.

Table G. Balance of payments¹
Million dollars

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
1. Imports (fob)	3 865	4 357	4 577	6 237	8 947	14 334	15 193	16 317	16 812	17 505	24 022	32 389
2. Exports (fob)	1 994	2 483	2 978	3 921	5 402	7 265	7 807	8 990	10 612	13 480	18 352	20 928
3. Trade balance	-1 871	-1 874	-1 599	-2 316	-3 545	-7 069	-7 386	-7 327	-6 200	-4 024	-5 671	-11 461
4. Services, net	945	1 293	1 688	2 021	2 688	2 679	2 755	1 891	2 622	4 001	5 014	4 424
<i>of which:</i>												
5. Tourism	1 195	1 543	1 878	2 230	2 872	2 869	3 096	2 690	3 486	4 917	5 558	5 720
6. Transfers, net	532	660	767	866	1 414	1 146	1 143	1 142	1 414	1 656	1 782	2 048
7. Current balance	-394	79	856	571	557	-3 244	-3 488	-4 294	-2 164	1 633	1 126	-4 988
8. Private long-term capital	482	696	602	934	810	1 613	1 788	1 447	1 746	2 113	2 835	4 020
9. Official long-term capital	24	-27	-103	-3	-45	56	15	570	1 277	-395	382	174
10. Total long-term capital	506	669	499	931	765	1 669	1 803	2 018	3 023	1 718	3 216	4 194
11. Basic balance	112	748	1 355	1 502	1 322	-1 575	-1 685	-2 276	858	3 351	4 342	-794
12. Short-term capital, errors and omissions ²	-342	65	-98	-11	370	782	930	1 204	287	507	-830	246
13. Monetary movements												
(increase in assets = -)	230	-813	-1 257	-1 491	-1 691	792	755	1 071.4	-1 146	-3 857	-3 512	548
<i>of which:</i>												
14. Changes in reserves	258	-854	-1 492	-1 623	-1 299	732	220	800	-1 145	-3 889	-2 985	1 342

1. Transactions basis.

2. Including banks' local accounts in foreign currency.

Sources: Ministry of Economy and Commerce; OECD Secretariat.

Table H. Foreign trade¹

1. By commodity

Billion pesetas

	1977	1978	1979	1980	1981	1977	1978	1979	1980	1981
	1. Imports, cif					2. Exports, fob				
1. Agricultural and food products	214.1	242.4	259.6	314.9	364.2	168.2	202.9	254.1	275.7	356.8
2. Minerals	45.5	46.8	49.8	63.7	73.0	24.4	33.1	35.2	45.6	64.9
3. Oil products	383.2	406.6	515.0	942.6	1 258.8	29.0	25.3	26.4	58.9	99.1
4. Chemicals, plastics and rubber	144.4	161.9	196.5	232.4	274.1	73.2	96.6	124.6	153.4	186.1
5. Skins and leather	19.6	23.4	28.3	19.9	26.6	16.3	19.2	24.5	30.0	34.6
6. Wood and cork	25.4	25.3	28.9	39.9	30.2	11.7	13.7	16.8	23.1	26.0
7. Pulp, paper and books	24.1	25.6	31.7	42.5	47.9	26.0	35.4	45.8	59.7	72.3
8. Raw cotton, textiles and clothing	44.5	40.7	50.1	62.1	64.1	43.4	58.8	63.9	73.4	96.4
9. Glass and pottery	13.1	15.5	18.9	23.2	23.5	17.2	20.8	24.8	39.0	52.6
10. Metals and metal products	94.1	85.4	113.8	158.0	165.4	102.9	158.3	194.7	243.4	295.2
11. Machinery and appliances	212.8	214.4	233.7	307.4	359.4	93.2	119.0	154.1	192.0	244.9
12. Transport equipment	43.4	53.4	78.6	113.7	134.3	103.7	135.2	166.4	198.4	231.0
<i>of which:</i> Cars, lorries and tractors	36.2	43.2	58.3	84.7	83.7	74.4	104.2	124.9	163.5	177.4
Aircraft (imports), ships (exports)	3.8	6.3	15.0	21.8	42.7	24.6	22.4	31.5	18.9	32.2
13. Other	86.3	90.2	99.1	130.3	148.9	66.1	83.1	90.1	100.6	128.5
14. Total	1 350.5	1 431.6	1 704.0	2 450.6	2 970.4	775.3	1 001.4	1 221.4	1 493.2	1 888.4
15. Total <i>less</i> agricultural and food products	1 136.4	1 189.1	1 444.4	2 135.7	2 606.2	607.0	798.5	957.3	1 275.5	1 531.6

1. Customs clearance basis.

Source: Ministry of Economy and Commerce.

Table H. Foreign trade (cont'd)

2. By geographical area

Billion pesetas

	1977	1978	1979	1980	1981	1977	1978	1979	1980	1981
	1. Imports, cif					2. Exports, fob				
EEC, total	461.4	496.3	606.2	755.5	861.9	358.8	457.8	586.2	739.6	812.3
of which:										
United Kingdom	71.3	77.6	87.8	115.1	132.9	49.0	58.7	87.6	105.3	130.6
France	113.1	130.1	164.7	202.4	237.6	123.6	166.4	197.0	246.6	270.6
Germany	136.2	142.4	163.2	200.8	241.5	82.0	106.8	126.2	152.9	163.3
Italy	68.2	67.5	90.1	120.9	118.4	39.4	49.9	78.8	116.7	108.0
COMECON	26.3	29.0	37.9	55.2	78.2	21.7	27.1	36.7	39.1	73.1
Other european countries	74.3	78.9	98.8	112.4	133.7	71.9	95.1	127.6	143.6	153.5
United States	162.0	190.1	211.7	318.8	412.4	76.1	92.8	85.1	79.4	126.9
Canada	11.7	11.5	15.9	19.4	20.6	7.6	8.8	10.4	10.6	16.6
Other american countries	121.9	119.3	152.5	255.0	354.3	79.4	96.0	136.7	159.1	197.7
Japan	43.0	40.1	39.9	60.5	79.4	8.9	15.2	24.6	19.2	30.0
Near-East	257.7	250.6	288.1	530.8	610.1	24.2	45.6	49.8	100.1	145.9
Rest of the world	192.3	215.6	253.0	343.1	419.8	126.8	163.1	188.0	218.5	332.4
Total	1 350.5	1 431.6	1 704.0	2 450.7	2 970.4	775.3	1 001.6	1 221.2	1 493.2	1 888.4

Source: Ministry of Economy and Commerce.

Table I. Foreign assets and liabilities
Outstanding at end-of-period, \$ billions

	1979	1980	1981
Liabilities	43.3	49.9	55.9
Monetary institutions	22.2	26.3	29.7
Bank of Spain ^{1 2}	0.5	0.5	0.4
Banking system ^{1 3}	21.7	25.8	29.3
Government^{4 2}	1.9	1.7	2.2
Private sector	19.2	21.9	24.0
Short-term credits (net) ^{5 2}	0.4	0.3	0.4
Long-term credits ^{4 2}	13.0	15.9	17.8
Foreign investment ^{6 2}	5.8	5.7	5.8
Assets	-31.7	-32.4	-33.9
Monetary institutions	-28.9	-29.5	-31.0
Bank of Spain ¹	-14.3	-11.5	-9.2
Reserves	-13.8	-11.2	-8.9
Gold ⁶	(-0.6)	(-0.6)	(-0.6)
Foreign-exchange ⁶	(-13.2)	(-10.6)	(-8.3)
Other ⁷	-0.5	-0.3	-0.3
Banking system ^{1 3}	-14.6	-18.0	-21.8
Government^{6 2}	—	—	—
Private sector^{7 2}	-2.8	-2.9	-2.9
Short-term credits ⁷	-1.5	-1.6	-1.6
Long-term credits	-0.4	-0.3	-0.3
Investments abroad	-0.9	-1.0	-1.0

1. Balance-sheet items.

2. Item valued at then-prevailing historical exchange rates.

3. Item valued at end-of-period exchange rate.

4. Official foreign debt estimates, based on exchange-control records.

5. Estimate obtained by adding up balance of payments flows from 1969 onward.

6. Valued at US \$ 42.22 per ounce.

7. Due to lack of proper statistics, these figures have been estimated as the difference between trade flows on a transactions basis and settlements which have actually taken place. The figure is net.

Source: Bank of Spain.

BASIC STATISTICS :
INTERNATIONAL COMPARISONS

BASIC STATISTICS: INTERNATIONAL COMPARISONS

Reference period			Units	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxem- bourg	Nether- lands	New Zealand	Norway	Portugal	Spain	Sweden	Switzer- land	Turkey	United Kingdom	United States	Yugo- slavia ¹
POPULATION	Mid-1980	Thousands	14 616	7 509	9 857	23 959	5 125	4 780	53 713	61 566	9 599	229	3 401	57 042 ²	116 782	365	14 144	3 131	4 087	9 966	37 381	8 316	6 373	45 078	56 010	227 658	22 340	
	»	Number	2	89	323	2	119	16	97	248	73	2	48	189	309	141	418	12	13	108	74	18	154	58	230	24	87	
	Mid-1970 to Mid-1980	%	1.4	0.1	0.2	1.2	0.4	0.4	0.6	0.1	0.9	1.1	1.4	0.6	1.2	0.7	0.8	1.1	0.5	1.0	1.1	0.3	0.2	2.4	0.1	1.1	0.9	
EMPLOYMENT	1980	Thousands	6 242	3 070	3 751	10 655	(2 470)	2 192	21 142	25 265	(3 347)	(101)	1 149	20 572	55 360	159	4 677	1 270	1 914	3 951	11 254	4 232	3 012	14 610	24 397	97 270	9 690 ³	
	»	% of total	6.5	10.5	3.0	5.5	(8.1)	11.6	8.8	6.0	(29.7)	(11.9)	19.1	14.2	10.4	5.7	6.0	11.0	8.5	28.3	18.9	5.6	7.2	60.4	2.6	3.6	..	
	»	»	31.0	40.3	34.8	28.5	(28.6)	34.4	35.9	44.8	(30.0)	(37.6)	32.4	37.8	35.3	38.2	31.8	33.6	29.7	35.7	36.1	36.1	32.2	39.5	16.3	38.0	22.3	
GROSS DOMESTIC PRODUCT at market prices	1980	US \$ billion ¹¹	140.0	77.0	116.5	253.3	66.4	49.9	651.9	819.1	40.4	2.8	17.8	394.0	1 040.0	4.6	167.6	23.3 ⁹	57.3	24.1	211.1	122.8	101.5	52.9	522.9	2 587.1	56.2 ⁸	
	1975 to 1980	%	2.5	3.5	2.9	3.0	2.6	3.1	3.3	3.6	4.4	3.7	3.9	3.8	5.1	2.3	2.5	0.7	4.6	5.2	2.2	1.2	1.6	2.8	1.6	3.9	5.6	
	1980	US \$ ¹¹	9 580	10 250	11 820	10 580	12 950	10 440	12 140	13 310	4 210	12 410	5 190	6 910	8 910	12 570	11 850	7 442	14 020	2 430	5 650	14 760	15 920	1 170	9 340	11 360	2 516	
GROSS FIXED CAPITAL FORMATION	1980	% of GDP	22.8	25.3	21.4	23.1	18.3	24.6	21.6	23.6	23.5 ⁸	26.5	27.9	20.0	31.7	25.3	21.0	17.8	25.0	20.9	19.6	20.3	23.8	18.0	17.8	18.2	35.5	
	1979	»	..	9.8	6.0	8.1	7.6	8.6	9.2	9.1	8.6	6.6	9.8 ¹⁹	8.0	10.7	9.2 ²²	8.7	7.8	9.9	7.1	6.9 ¹⁹	7.3	7.1	..	9.3	7.4	..	
	1975 to 1980	%	4.2 ¹⁰	14.2	6.5	5.3	6.9	6.3	6.4	6.5	9.2	5.7	6.4 ¹⁹	5.1	7.4	6.6 ²²	5.8	3.3	5.3	3.7	..	5.0	..	3.8	3.0	4.8	7.2	
GROSS SAVING RATIO ¹²	1980	% of GDP	21.4 ¹⁰	26.2	16.3	21.5	14.4	24.8	21.7	23.1	25.6	24.5	19.8	22.3	30.7	50.1	20.1	19.3 ⁹	29.9	20.5	18.9	17.3	26.7	16.6	19.2	18.3	37.0	
	1979	% of GDP	16.2	18.0	17.7	19.4	25.2	18.4	14.9	20.0	16.3	11.7	20.0	16.1	9.8	15.9	18.1	16.0 ⁹	19.7	14.8	10.8	28.4	12.9	13.7	20.0	17.4	17.6	
	1979	%	29.6 ¹⁰	42.2	46.2	35.8	49.4	34.6	42.1	40.9	29.7	25.0 ²²	41.7 ¹⁹	41.1	24.2	43.5	55.1	..	47.1	30.7	26.7	56.8	29.9	23.4	40.0	31.5	..	
NET OFFICIAL DEVELOPMENT ASSISTANCE	1980	% of GNP	0.5	0.2	0.5	0.4	0.7	0.2	0.6	0.4	..	..	..	0.2	0.3	..	1.0	0.3	0.8	..	..	0.8	0.2	..	0.3	0.3	..
	1979	% of GDP	16.2	18.0	17.7	19.4	25.2	18.4	14.9	20.0	16.3	11.7	20.0	16.1	9.8	15.9	18.1	16.0 ⁹	19.7	14.8	10.8	28.4	12.9	13.7	20.0	17.4	17.6	
	1979	%	32.5 ¹⁰	44.2	43.2	35.8	50.3	38.2	43.4	42.9	30.6	34.0 ²²	37.8 ¹⁹	35.7	26.6	52.2	55.8	..	52.2	26.9	27.5	57.4	33.2	23.8	39.0	32.5	..	
INDICATORS OF LIVING STANDARDS	1980	US \$ ¹¹	5 800	5 650	7 540	5 950	7 270	5 720	7 690	7 340	2 750	7 560	3 310	4 270	5 220	7 430	7 200	4 550	6 600	1 790	3 950	7 630	10 128	851	5 581	7 370	1 343	
	1978	Number	479	272	302	410 ²²	219	235	327	346	80	339	194	300	185	423	288	395	282	118	178	345	324	11 ¹⁴	256	536	85	
	1979	»	440 ¹⁹	375	352	666	609	470	415	434	281	444 ¹⁹	174	318	460	547	486	545 ¹⁹	423	132	294	772	700	39	480	793	79 ¹⁹	
	1977	»	351 ¹⁴	247 ¹⁸	286	428 ¹⁴	338	363 ¹⁴	372	308	127 ¹⁴	214 ¹⁴	193	224	239 ²⁰	293 ¹⁴	279	259 ¹⁴	270 ¹⁴	76 ¹⁴	185 ¹⁴	363 ¹⁴	285 ¹⁴	44 ¹⁴	324	571 ²⁰	199	
	1977	»	1.5 ¹⁴	2.3	2.1	1.8	2.0	1.6	1.6 ¹⁴	2.0	2.2	1.7 ¹⁴	1.2	2.3	1.1	1.1	1.7	1.4	1.8	1.5	1.8	1.8 ¹⁴	2.0	0.6	1.5	1.7	1.3	
	1979	% of age group	44.4	32.0 ²²	61.3 ²²	64.9 ²²	57.4 ²²	68.5	55.9	45.4 ¹⁹	45.4 ²⁰	..	50.5	43.9 ¹⁴	71.4	37.3 ¹⁹	65.0	44.8 ²²	65.0	33.4 ¹⁴	41.3 ¹⁹	56.3 ¹⁴	70.1 ²²	12.7 ²⁰	46.2 ²²	75.0	52.2	
	1980	Number	11.0	13.9	11.2 ²³	10.9 ²³	8.8 ²³	7.7 ²³	10.0	13.5 ²³	18.7 ²³	5.4 ²³	12.4 ²³	14.3	7.4	11.5	8.7 ²³	12.6 ²³	8.8 ²³	26.0 ²³	11.1	6.7	8.5 ²³	..	11.8	12.6	33.4 ¹⁹	
WAGES AND PRICES	Average annual increase	%	10.3	7.4	8.8	10.1	11.2	11.1	13.6	6.1	24.2	43.4	16.6	21.2	8.4	..	6.1	15.4	9.4	14.5	25.7	9.9	2.8	35.5	14.9	8.5	19.0	
	1975 to 1980	%	10.6	5.3	6.4	8.7	10.4	10.7	10.5	4.1	16.3	41.5	14.1	16.6	6.5	6.1	6.0	14.4	8.4	21.8	18.6	10.5	2.3	50.1	14.4	8.9	17.9	
	1980	%	10.3	7.4	8.8	10.1	11.2	11.1	13.6	6.1	24.2	43.4	16.6	21.2	8.4	..	6.1	15.4	9.4	14.5	25.7	9.9	2.8	35.5	14.9	8.5	19.0	
FOREIGN TRADE	1980	US \$ million ¹¹	22 068	17 364	64 500 ⁷	64 944	16 740	14 148	111 312	191 688	5 184	924	8 508	77 904	129 588	—	73 836	5 421	18 492	4 644	20 820	30 924	29 616	2 748	115 176	220 704	8 568	
	»	%	15.8	22.8	55.7	25.8	25.2	28.2	17.2	23.3	12.3	33.0	47.8	19.8	12.5	—	46.0	23.3	32.2	19.3	9.8	25.3	29.9	5.2	22.4	8.6	15.2	
	1975 to 1980	%	3.7	9.3	5.9	6.3	6.2	10.5	6.8	6.3	8.9	12.7	9.6	5.9	9.2	—	4.6	8.1	9.2	..	9.9 ²⁴	2.1	6.3	4.7	4.7	6.7	3.8	
	1980	US \$ million ¹¹	20 208	24 252	71 676 ⁷	58 992	19 320	15 612	134 856	185 856	10 632	996	11 148	99 708	141 108	—	76 872	5 468	16 956	9 300	34 176	33 420	36 336	6 252	120 156	241 200	14 436	
	»	%	14.5	31.8	61.8	23.4	29.1	31.2	20.8	22.5	25.2	35.6	62.6	25.4	13.6	—	47.9	23.5	29.5	38.7	16.1	27.4	36.7	11.8	23.3	9.4	25.7	
1975 to 1980	%	5.0	9.7	5.5	3.2	3.2	2.3	8.7	7.3	3.9	4.9	10.3	7.6	4.4	—	4.7	0.9	4.4	..	0.7 ²⁴	0.8	9.0	-4.1	3.9	6.7	0.5		
TOTAL OFFICIAL RESERVES ²⁴	End-1980	US \$ million	2 044	6 223	9 349 ⁷	4 029	3 459	1 914	30 994	52 261	1 301	176	2 876	26 117	25 717	—	13 607	353	6 100	1 784	12 516	3 690	19 374	1 442	21 492	27 395	1 467	
	In 1980	%	10.1	25.7	13.0	6.8	17.9	12.3	23.0	28.1	12.2	17.7	25.8	26.2	18.2	—	17.7	6.5	36.0	19.2	36.6	11.0	53.3	23.1	17.9	11.4	10.2	

1. Partly from national sources.
 2. Total resident population.
 3. Private and socialised sector.
 4. According to the definition used in OECD: Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
 5. Social product.
 6. At constant prices.
 7. Including Luxembourg.

8. Excluding ships operating overseas.
 9. Fiscal year beginning April 1st.
 10. Fiscal year beginning July 1st.
 11. At current prices and exchange rates.
 12. Gross saving = Gross national disposable income minus private and government consumption.
 13. Current disbursements = Current expenditure on goods and services plus current transfers and payments of property income.
 14. 1976.

15. Children aged 15-19.
 16. 1974.
 17. Deaths in first year per 1 000 live births.
 18. Figures are not strictly comparable due to differences in coverage.
 19. 1978.
 20. 1975.
 21. 1972.
 22. 1977.
 23. 1979.

24. Gold included in reserves is valued at 35 SDR per ounce (see IMF, International Financial Statistics, series Total Reserves).
 25. 1976 to 1980.
 Note: Figures within brackets are estimates by the OECD Secretariat.
 Sources: Common to all subjects and countries: OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Observer, Statistics of Foreign Trade (Series A); Statistical Office of the European Communities, Basic Statistics of the Community; IMF, International Financial Statistics; UN, Statistical Yearbook.
 National sources have also been used when data are not available according to standard international definitions.

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(10 82 24 1) ISBN 92-64-12305-9
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PRINTED IN FRANCE

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