

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

SPAIN

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

JUNE 1975

BASIC STATISTICS OF SPAIN

THE LAND

Area (1 000 sq. km)	504.8	Major cities, 31.12.70 census, thousands	
Agricultural area (1 000 sq. km)	364.4	inhabitants:	
		Madrid	3 146
		Barcelona	1 745
		Sevilla	653
		Valencia	548

THE PEOPLE

Population, 1.7.74, thousands	35 225	Civilian employment, 1974, thousands:	13 132
Number of inhabitants per sq. km	70	Agriculture	3 036
Net natural increase (1973, thousands)	370	Industry	4 824
Net migration (1972, thousands)	-18	of which: Construction	1 272
		Services	5 272

PRODUCTION

Gross national product, 1974		Gross domestic product at factor cost by	
(billion pesetas)	4 259	origin, in 1973 (percentages):	
GNP per head, 1974 (US \$)	2 103	Agriculture	13
Gross fixed investment (1974):		Industry and construction	35
per cent of GNP	25	Services	52
per head (US \$)	536		

THE GOVERNMENT

Public consumption, in 1974 (percentage of GNP)	11	Fiscal revenue of general government, in 1974 (percentage of GNP)	13
Public investment, in 1973 (percentage of total investment)	13	Internal public debt (percentage of general government current revenue) 1.1.1974	82
Public investment including public enterprises, in 1969 (percentage of total investment)	29		

FOREIGN TRADE

Exports of goods and services, 1974 (billion US \$)	13	Imports of goods and services, 1974 (billion US \$)	17
Exports of goods and services as a percentage of GNP (average 1973-74)	17	Imports of goods and services as a percentage of GNP (average 1973-74)	21
Exports of goods as percentage of total exports (average 1973-74)	54	Imports (average 1973-74), percentage of imports of goods:	
Exports (average 1973-74), percentage of exports of goods:		Foodstuffs	13
Foodstuffs	26	Fuel, raw materials and semi-finished products	57
Raw materials and semi-finished products	30	Capital goods	23
Capital goods	20	Consumers' manufactures	7
Consumers' goods	24		

THE CURRENCY

Monetary unit: Peseta		Currency units per US \$:	
		a) Central rate established on 13.2.1973	58.03
		b) Floating since 22.1.1974: spot rate on 23.5.1975	55.72

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

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;*
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.*

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by the OECD Economic and Development Review Committee
took place on 25th April, 1975.

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INTRODUCTION

After a phase of very rapid expansion in 1972-1973, the Spanish economy continued to make very substantial progress in the first half of 1974. In the second half of the year, however, there was a slowdown in activity which became more marked towards the end of 1974 and the beginning of 1975. The trend in employment was parallel to that of production, the size of the work force continuing to rise fairly strongly during the first half year, while in the second half there was a sharp rise in unemployment connected both with the slowdown in domestic activity and the deterioration in the labour market in countries receiving Spanish immigrants.

As in most other OECD countries, prices rose faster in 1974 than previously. This trend was partly due to the rise in oil prices, though the effects of the oil crisis on domestic prices were cushioned by a deliberate policy of reducing taxes on petroleum products. Contrary to the tendency in many OECD countries, the rise in prices and wage rates was somewhat more rapid in the second part of the year. Foreign trade was marked by a sharp deterioration of the current transactions balance, the deficit of about \$ 3 billion on this account being financed by "autonomous" inflows of capital, "compensatory" loans and a moderate decline in reserves.

The Government's budgetary policy in 1974 and the beginning of 1975 can be described as one of moderate expansion aimed at maintaining activity while limiting the inflationary pressures being experienced by the economy. Monetary policy also exerted a moderating influence, the Bank of Spain endeavouring to offset the effects of the oil crisis by flexible management of domestic liquidity. In April 1975, faced with increasing inflationary pressures and the persistence of a large current payments deficit, the authorities recast their policy in a moderately restrictive direction (increases in direct taxation, a tax on interest paid by the banks and savings banks, and strengthening of controls on prices and wages). According to the official forecasts, the growth of GNP in 1975 might be in the region of 2½ per cent. Prices will probably continue to rise steeply in annual terms (by about 16 per cent), though the rate will probably slow down considerably over the year.

Part I of this Survey is devoted to recent trends in the domestic components of demand, production and employment, and movements of prices and wages. Part II analyses recent developments in the balance of payments and certain medium-term aspects of foreign trade. Part III is a study of economic policy in 1974 and the beginning of 1975, with a special analysis of the efforts of the monetary authorities to reform the financial market. Part IV contains the official forecasts for 1975 and some policy conclusions.

I THE CYCLICAL DOWNTURN IN 1974

Production and employment

In 1972 and 1973 the Spanish economy went through an exceptionally vigorous expansionary phase in which the forces sustaining demand were investment and exports. After experiencing rates of expansion of GNP of the order of 8 per cent

in 1972 and 1973, some slowdown of activity was to be expected in 1974, private consumption and public expenditure being the main forces maintaining the level of activity. The appearance of the crisis did not fundamentally change these prospects, at least during the first part of 1974. To judge by the statistics available, the slowdown in activity during the first half of 1974 seems to have been quite limited. During the second half of 1974, however, and especially in the last few months of the year, the slowdown was much more marked.

Table 1 Demand and Output

	1973		1972	1973	1974 ¹
	Billions of pesetas	Percentage of GNP	Percentage change-volume		
Private consumption	2 373	66.3	7.4	6.7	5.0
Public consumption	401	11.2	6.3	6.0	4.5
Gross fixed investment	850	23.8	17.5	15.5	7.5
Construction	385	10.8	8.9	9.0	5.0
Capital equipment	465	13.0	25.7	21.0	9.6
Total domestic demand	3 624	101.3	9.5	8.6	5.5
Foreign balance ²	-48	1.3	(-1.3)	(-0.7)	(-1.1)
GNP	3 576	100.0	8.2	7.9	5.0
GNP price deflator			8.9	10.6	13.6
Retail prices			8.7	11.4	15.7
GDP at factor cost	3 312	100.0	8.1	8.1	5.3
Agriculture	422	12.7	3.0	5.5	4.9
Industry	1 001	30.2	12.0	10.8	5.8
Construction	175	5.3	9.0	9.0	5.0
Services	1 714	51.8	7.2	7.2	5.1

1 Estimated.

2 Contribution to growth of GNP.

Source: INE.

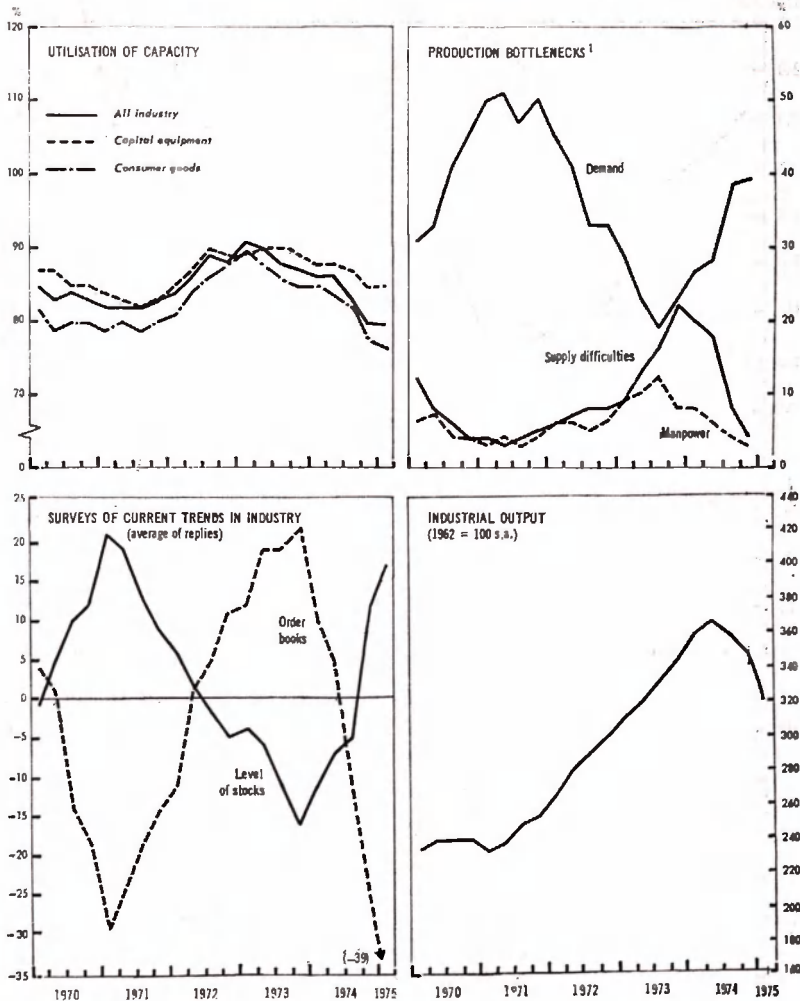
For the year as a whole, value added in industry increased by 5.8 per cent (see Table 1) which was well below the average for the period 1963-73 (8.6 per cent). The other components of supply also expanded less rapidly than in the past, with the exception of agriculture where production rose more than twice as fast as during the period 1963-73. To judge from the trend of the index of industrial output, the rise was rapid during the first few months of 1974, but in the second half of the year there was a clear reversal of the trend, accentuated at the end of the year by serious strikes which resulted in a decline in production¹. Business surveys clearly indicate the seriousness of this downturn (cf. Diagram 1). Of all the branches of industrial production, chemicals and basic metals expanded the most in 1974. On the other hand, textiles, clothing and footwear made almost no progress. For manufacturing industry as a whole, the level of production at the end of 1974 was slightly below that of the previous year, and in the metal working sector it was some 10 per cent below the end-1973 level.

The rate of utilisation of productive capacity in industry as a whole, after reaching a record level at the beginning of 1973, fell slowly until the second quarter of 1974 and then declined sharply. The level reached in the last quarter of 1974² was the

1 The profile of the downturn differs according to the adjustment made for seasonal factors. The seasonal adjustment made by the Secretariat shows a much more marked downturn during the second half of 1974. It must also be pointed out that the coverage and weighting of the index are open to doubt, as is shown by too marked a difference between value added in industry (5.8 per cent in 1974) and the increase of the index of industrial production (9.3 per cent).

2 As seasonally adjusted by the Bank of Spain.

Diagram 1 Indicators of Economic Activity

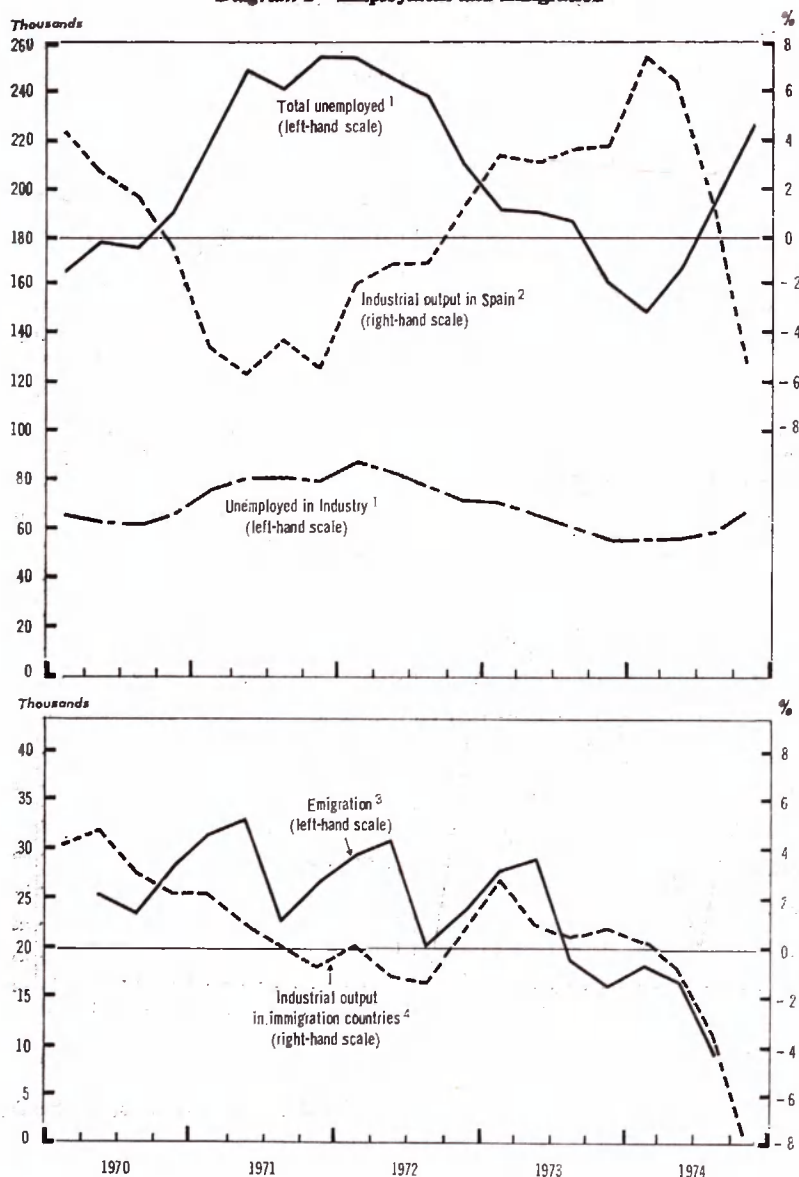


1 Percentage of firms which quoted the factors shown as an obstacle to the maximum utilisation of their production capacity.

Source: Monthly Bulletin of the Bank of Spain and Ministry surveys of current trends.

same as that of the second quarter of 1968, when the Spanish economy was beginning to recover from the severe decline of 1967. Throughout 1974, business surveys were reporting a steady falling-off in orders and an involuntary accumulation of stocks. As in most countries, the motor vehicle industry was very seriously affected by the crisis, the fall in orders having been particularly severe from November 1973 to March 1974. Production in this industry was fairly well maintained at the beginning of this year by exports for which order books had remained well filled up to November 1973. In the first quarter of 1974, the volume of exports of motor vehicles was still some 9 per cent above the level in the first quarter of 1973. (In October 1974 the volume of motor vehicle exports was about 7 per cent down on the corresponding figure for the previous year.)

Diagram 2. Employment and Emigration



1 Estimated unemployment.

2 Deviations from trend.

3 Assisted emigration to European countries; moving average of three quarters.

4 France, Germany, Switzerland: deviations from the trend. The industrial output indices are weighted according to the relative importance of the number of Spanish workers emigrating to those countries in the period 1960-1973.

Sources: Ministry of Labour; National Emigration Office, OECD Main Economic Indicators.

It is somewhat difficult to assess the effects of the slowdown in activity on employment. According to some official estimates³ the level of employment in

3 The Budget and the Spanish Economy, 1975, p. 34; Ministry of Finance, Madrid 1974.

industry in July 1974 exceeded the 1973 average by nearly 4 per cent. It is likely that firms keeping up the momentum of the expansional phase of the cycle in 1972-73 were still expanding their work force considerably during the early months of 1974. Business surveys, and those for Catalonia in particular, referred to the labour shortage as one of the factors limiting output at the end of 1973; but the shortage of manpower had almost disappeared by the middle of 1974. This trend was also apparent from the monthly unemployment statistics which show a regular decline in the number of unemployed in industry up to the beginning of 1974, the persistence of a very low level during the first half of 1974, and a sharp rise subsequently. In the construction and service industries on the other hand, the deterioration in the labour market became apparent as early as the beginning of 1974.

These domestic factors of decline in the labour market were aggravated by the consequences of the slackening in economic activity throughout Europe and the restrictive measures applied to immigrant workers in the principal host countries for Spanish labour. Although no statistics are available on these movements, there was undoubtedly an accelerated return of emigrant workers, while—and this is perhaps the more important factor—"assisted" emigration to other European countries slowed down considerably in the second half of 1974; the monthly average figure of workers leaving was approximately 900, whereas it had been about 4 000 in the second half of 1973 and about 5 000 in the second half of 1972⁴.

At the end of 1974, the seasonally adjusted number of unemployed was in the region of 240 000⁵ a little less than 2 per cent of the labour force. The increase in unemployment was probably quite large in the construction sector, where the number of unemployed doubled from the beginning to the end of the year, but much less marked in industry. It also seems, although no precise information on this point

Table 2 Employment and Emigration
Thousands¹

	1973		1974	
	I	II	I	II
Employment ²	12 627	12 752	12 793	12 770
Unemployment				
Registered	163	136	137	186
Estimated	199	162	165	200
Emigration ³	72	24	45	6
<i>Percentage change</i>				
	1971	1972	1973	1974
	0.6	1.4	1.6	1.0

1 Monthly average except in the case of "emigration", where the figure denotes the total for the half-year.

2 To European countries.

3 Employed civilian labour force-change in the fourth quarter on corresponding period of previous year.

Sources: INE, National Institute for Emigration and Ministry of Labour.

4 For the whole year the number of emigrant workers cleared by the Spanish Emigration Office was 50 803 in 1974, compared with 96 023 in 1973 and 103 925 in 1972.

5 Estimated unemployment. There are two monthly series of statistics on unemployment. One ("registered unemployment") records unemployed registered in unemployment offices; the other ("estimated unemployment") is a monthly estimate worked out by the Ministry of Labour on the basis of the number of registered unemployed. It is the latter which is most frequently used.

is available, that unemployment was localised in the rural areas. Moreover, as in certain other Member countries, current statistics give a very incomplete picture of unemployment levels. Thus during the 1970 census the number of persons stating they were looking for employment was almost twice as high as those recorded in the monthly statistics. The main discrepancy resulted from taking into account unemployment in services. But the differences were also very large in construction and agriculture.

Furthermore, available statistics on total numbers of hours worked in manufacturing industry show a steady decline throughout the whole of 1974. This would suggest, bearing in mind the increase in employment (see Table 2), a quite significant reduction in the length of the working week. Moreover, unemployment benefits (both partial and total) are very inadequate. Concerning partial unemployment, only reductions in working hours of one-third or more of the normal length entitle a worker to social security benefits, and these cover only one-half of actual wages⁶. In 1973 the monthly average number of unemployed receiving assistance was 61.9 thousand, while the number of unemployed was 180.4 thousand according to the monthly statistics on estimated unemployment.

Domestic demand

The increase in employment and the purchasing power of earnings at the beginning of 1974 probably sustained consumption during the first half of the year, as did the economic policy followed by the authorities (absorption by the public sector of a part of the rise in oil prices). Business surveys show a fairly high rate of utilisation of productive capacity during the first half of 1974 in consumer goods industries (with the exception of the food and agriculture industries), and an appreciable decline during the second half-year. The situation differed widely, however, from one branch to another. The falling-off in purchases of motor vehicles (registrations fell by approximately 3 per cent in 1974 whereas they had been rising by approximately 17 per cent each year in 1973 and 1972) probably caused demand to shift to other types of goods, though it is difficult to assess the scale of such a shift. The figures of sales in the big stores and the accumulation of stocks of finished products tend to strengthen the assumption that there was a fairly marked slowdown in consumption towards the end of 1974.

Gross fixed asset formation⁷ rose at a slower rate after two years of rapid expansion, moving from a rate of 21 per cent in volume terms in 1973 to just under 10 per cent in 1974, slightly below the 1963-73 average. According to business surveys, the favourable prospects for the economy, the pressure of demand and the level of profits were among the reasons that incited Spanish firms to expand and modernise their equipment in 1972-73. In 1974, these reasons suddenly changed, and while investment was maintained, this was partly due to the time-lag in carrying out projects previously decided on. Surveys of firms' investment plans showed a sharp decline in projects in the third and fourth quarters of 1974. The reasons usually given by firms to justify the fall were difficulties in exporting and increased foreign competition on the Spanish market. At the same time the rapid increase in margins of unused capacity in the second part of 1974 must have provided an incentive to firms to revise their investment projects downwards. So far as stockbuilding is concerned,

6 75 per cent of the basic wage for contribution purposes, which is about three-quarters of the actual average wage. The average monthly benefit for partially and wholly unemployed in 1973 was approximately 6 000 pesetas, which is below the prevailing minimum wage. The period for which unemployed people are entitled to benefit is 6 months for total unemployment and 1 year for partial unemployment.

7 There is no information available at present on trends in stocks in national accounting terms. Estimates concerning investment and consumption may therefore have to be substantially revised.

business surveys reveal an accumulation of unwanted stocks of finished products linked with the slackening of demand. This trend, which began towards the end of 1973, became much more significant towards the end of 1974 and the beginning of 1975. But, at the same time, the reversal of expectations concerning the prices of raw materials, the slowdown in activity and the rise in interest rates certainly encouraged firms to reduce their stocks of raw materials and intermediate products. For the year as a whole stockbuilding is likely to have been positive though small.

In the construction industry the rate of expansion in 1974 was 5 per cent, compared with 9 per cent in 1973. The number of dwellings being built with State aid, approximately one-half of total dwellings constructed, throughout the year maintained the high level reached in the last quarter of 1973. For construction in the public sector there was probably some recovery in the second part of 1974 in response to the expansionary budget policy adopted by the authorities at the beginning of the year (see Part III). Business surveys show a sharp increase in public works in the second half of 1974.

Prices and incomes

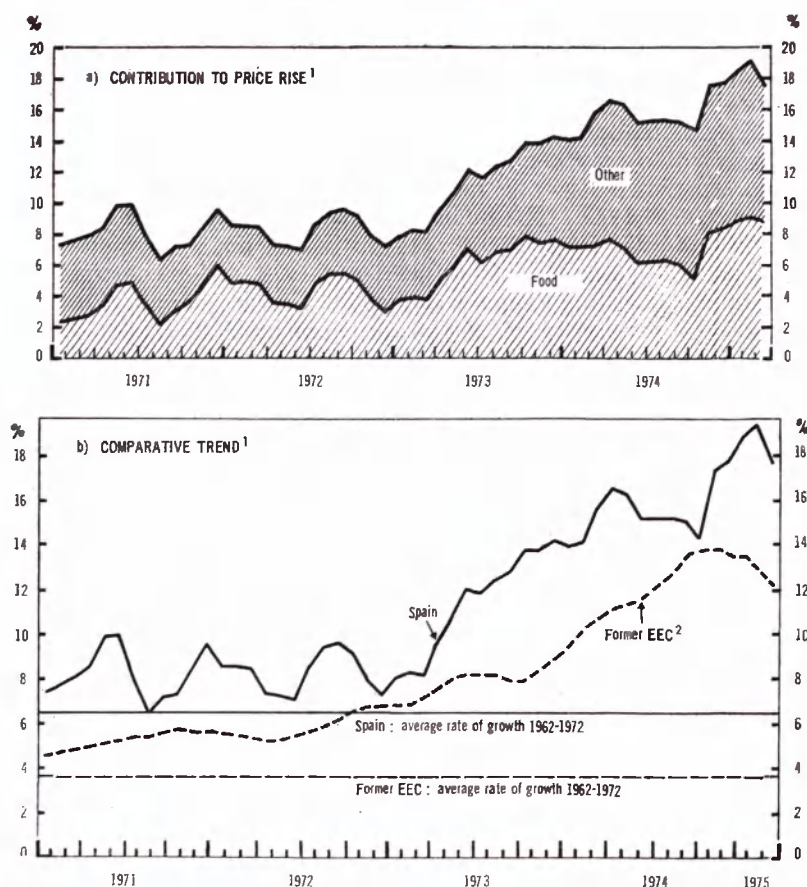
As in most of the other OECD Member countries, prices rose more rapidly in Spain in 1974 than previously. This aggravation of inflationary pressures was partly due to the incidence of the rise in prices of oil and other raw materials. In the second quarter of 1974 the prices of all imported raw materials taken together, in peseta terms, was 94 per cent higher than in the second quarter of 1973. If oil is excluded the increase was approximately 30 per cent. The tendency for the peseta to appreciate in 1974 (especially at the beginning of the year) somewhat moderated the effects of the rise in prices of raw materials, but it was nonetheless exceptionally large compared with what had been experienced in the past. Budget policy had a moderating effect on the rise in prices by reducing the taxes on certain petroleum products, and despite the increases in the second quarter of 1974, energy prices⁸ did not exceed those for the second quarter of 1973 by more than approximately 37 per cent. External factors were not alone, however, in influencing price movements. Wage increases remained very high in 1974 (approximately 25 per cent as an annual average) and firms had increasing difficulty in absorbing them through productivity gains.

The rise in retail prices, expressed as an annual average, was 15.7 per cent in 1974 compared with 11.5 per cent in 1973. The increases were particularly high in March-April (a little over 2 per cent monthly) and November (2.8 per cent). In December 1974 and January 1975 the increases remained around 1.5 per cent, but in February a perceptible slowdown was recorded (0.8 per cent). Contrary to what happened in 1973, agricultural prices increased, at least until the Autumn less fast than the general index (14.2 per cent over the whole year). The runaway increase of November, however, when the prices of agricultural products rose by 4.3 per cent, was noteworthy. It was almost entirely due to the sharp rise in the price of olive oil, the weight of which in the index is particularly important⁹. There were sharp increases in wholesale prices at the beginning and end of the year, but if the rise in prices of industrial products is considered in isolation, the increases were large from January to May 1974, but less so subsequently. Industrial firms largely passed on the rises in prices of energy and raw materials. The increase in wholesale prices of industrial products was probably still higher in the first half

8 The energy sector of the wholesale price index comprising fuels, lubricants and electric power.

9 The price of olive oil rose from 68 to approximately 100 pesetas a litre. The policy adopted on olive oil has been to ration exports (to 350 000 tonnes) and to free domestic prices, allowing the CAT (Commissariat for Food Supplies and Transport) to intervene by using its buffer stocks.

Diagram 3 Consumer Prices



1 Month over corresponding month in previous year.

2 Weighted average according to relative size of GNP in 1967.

Sources: INE Monthly Bulletin. OECD Main Economic Indicators. EEC General Statistics of the Community.

Table 3 Prices
Percentage change on corresponding period of previous year

	1972	1973	1974	1973 IV	1974				1975 I
					I	II	III	IV	
Wholesale prices	6.9	10.3	18.2	14.4	17.9	19.0	17.7	17.4	
Total									
of which: food	8.5	10.4	12.8	14.4	15.6	11.9	10.1	13.9	
energy	2.7	4.3	33.3	6.6	17.8	37.1	37.2	40.4	
raw materials	6.5	6.8	23.9	10.3	20.2	29.5	25.4	21.3	
Prices paid to farmers	1.8	12.8	9.4	15.4	11.9	7.3	5.3	12.0	
Retail prices									
Total	8.3	11.5	15.7	14.0	14.6	16.1	15.2	16.6	18.7
of which: food	9.2	12.6	14.3	15.9	15.0	14.5	12.8	14.8	18.2

Sources: INE, Monthly Bulletin of Statistics; Ministry of Agriculture, Monthly Bulletin of Agricultural Statistics.

Table 4 Wages
Percentage change on corresponding period of previous year

	1973	1974	1973 IV	1974			
				I	II	III	IV
All sectors ¹							
Nominal hourly earnings	19.7	26.6	21.0	24.0	25.7	28.7	27.9
Real hourly earnings ²	7.3	9.4	6.2	8.1	8.3	11.7	9.7
Nominal hourly earnings in:							
industry ³	20.9	27.1	20.5	23.6	24.9	28.9	30.6
construction	20.4	35.2	27.6	33.7	37.6	41.9	29.1
commerce	17.3	22.7	20.6	24.2	21.4	22.7	25.5
Wages in agriculture ⁴	19.2	32.2	22.1	27.0	33.7	36.4	31.3

1 All activities covered by the INE survey : industry, construction and certain services.

2 Hourly earnings deflated by the cost-of-living index.

3 Basic metals, metal products, machine construction, transport equipment.

4 Average daily wage: unweighted average of wages earned by the various categories of farm workers.

Sources: INE, Wage surveys; Ministry of Agriculture, Monthly bulletin of agricultural statistics.

of 1974 than the rise in unit wage costs or raw materials costs. However, in the second half of 1974, the slower rise in the prices of raw materials could scarcely have compensated for the large rise in unit labour costs.

Nominal incomes of households continued to rise rapidly throughout 1974. Hourly earnings (excluding family allowances) rose by approximately 25 per cent in 1974, with a tendency to accelerate in the course of the year (see Table 4). The wage bill was influenced by the rise in employment in the first half of the year and the decline in hours worked in the second half, partly as a consequence of the slow-down in activity and partly due to social disturbances which marked the end of 1974. Social transfers also rose rapidly (by some 28 per cent) because of the expansionary direction taken by budget policy. It is difficult to give a precise estimate of other incomes, but the data available suggest that the rate of increase was much slower than for wages or transfers. The moderate rise in agricultural prices (up to November) and the policy controlling traders' margins, probably limited the rise in the incomes of these groups of the population as an annual average, though farm incomes caught up rapidly at the end of the year. Disposable income of households was affected by the rise in direct taxation, which fell mainly on the lower income groups, though it must be remembered that the tax on earned income is increasingly being paid by employers. In all, it is probable that disposable income of households rose less than private consumption in value terms, and that there was a reduction in the rate of savings; this was nonetheless limited and was probably confined to the first half of the year, when the rise in prices accelerated sharply while full employment was still maintained.

II THE BALANCE OF PAYMENTS

Trade in 1974

After being in surplus since 1970, Spain's current trade balance suffered a very marked deterioration in 1974, with a deficit of \$ 3.1 billion, or almost 4 per cent of GNP, compared with a surplus of \$ 560 million in 1973. This was due to the increase in oil prices, the induced effects of the world crisis, and the maintenance of a more sustained level of activity throughout the year than that of its main trading partners.

In Spain as in other countries, the oil crisis was a determining factor in the deterioration of the trade balance. In addition to the general increase in the crude oil price, there was the incidence, firstly, of specific structural factors in Spain, and secondly, of Government policy. While the importance of oil in the total consumption of primary energy in Spain is slightly below the OECD average, the proportion of oil resources consumed by the productive sector is appreciably larger, and the possibilities of savings not affecting economic activity are thus more limited. At the same time, in an attempt to safeguard expansion, the authorities lightened taxation at the start of the crisis on products going to industry and agriculture, thereby limiting the impact of the higher prices. In all, imports of crude oil, far from declining as in most consuming countries, increased by 6 per cent in 1974. It is true that unfavourable climatic conditions (drought having led to reduced activity by hydro-electric power stations) explains part of this trend. In addition exports of refined products were adversely affected, firstly by the prohibition on exports introduced in 1973, and subsequently by a weakening of foreign demand. Thus net oil imports increased by nearly 8 per cent, and the oil deficit by 128 billion pesetas (3 per cent of GNP).

The rise in prices of petroleum products only accounted, however, for less than two-thirds of the increase in the total trade deficit which rose from \$3.5 billion in 1973 to \$7.0 billion (fob-fob) in 1974. The high level of activity in the first half-year and, some likely speculative stockbuilding at a time of rising prices and comparatively easy credit, caused non-oil imports to rise very rapidly in value¹⁰ in the first half of the year. After a pause in the third quarter, purchases abroad began to rise again at the end of the year, and then turned down once more in January 1975. Allowing for the increase in prices, however, imports were probably steady or even in decline during the second half-year as a whole, and the increase in volume terms was approximately 7 per cent as an annual average. The rate of growth in value terms was nearly 60 per cent for all merchandise imports, and 36 per cent if petroleum products are excluded.

Exports, expressed as an annual average, increased at a rate not very different from non-oil imports (35 per cent for total exports, and 32 per cent excluding petroleum products)¹¹ but the curve profile was quite different. After falling off at the end of 1973, merchandise exports rose in the first half-year at a moderate rate which accelerated until October before declining again in the last two months of the year. If we exclude agricultural exports, however, which fell back in value in the first half-year, the trend over the whole year is much more regular and shows a sustained rise in Spanish exports in value but also in volume up to October, followed by a downturn in the three following months. For the year as a whole, total exports increased by approximately 5 per cent in volume despite a probable decline in exports of agricultural products. This trend is all the more interesting as it implies, for the second half of 1974, an increase in the market share of Spanish manufactures in a particularly unfavourable world economic situation which would tend to confirm the sensitivity of Spanish exports to fluctuations in domestic demand. In all, while the rate of overall cover (fob-fob) declined sharply from 1973 to 1974, it remained almost unchanged for non-oil products. Allowing, however, for the fact that imports were much higher than exports, the trade deficit increased somewhat and there was a notable change in its composition. Trade in agricultural and food products, which had produced a surplus up to 1972, now showed a large deficit, brought about firstly by an exceptional rise in imports of cereals, vegetable fats and dairy

10 In the absence of seasonally adjusted figures of oil imports, the gross figures for imports of petroleum products have been taken from the seasonally adjusted totals of imports in the series published by the Bank of Spain.

11 Exports of petroleum products accounted for some 4.8 per cent of total exports by value in 1973 and 6.8 per cent in 1974.

products, and secondly by a fall in the volume of exports of fruit and oil, which are The two main items of Spanish agricultural exports. The balance of trade in finished products on the other hand improved slightly with exports expanding much more rapidly than imports, particularly where capital goods were concerned.

Medium-term trend of merchandise trade

The good performance of exports of manufactures in 1974, despite the weakening of foreign demand, is a continuation of the trend observed since the second half of the sixties. Since 1964, Spain has been systematically increasing its share of the international market in non-agricultural products, with gains¹² averaging 9 per cent over the period 1962-73 (see Table 5). There is a number of possible reasons for these results, one of the most important being the comparatively recent date of Spanish industrialisation and the small importance of Spanish exports¹³ in world trade at the start of the period. Thus new industries like shipbuilding or motor vehicles have been able to expand their exports exceptionally rapidly. At the same time, the level of wages gives Spain a very important relative advantage in certain low-technology sectors such as footwear and textiles. Finally, in view of the size of the domestic market, the expansion of certain activities is likely to lead to increased exports. On the other hand, the increases in market shares of agricultural and food products have been quite small and very erratic, especially for unprocessed products. On the whole a fundamental restructuring of Spanish exports has been going on for the last ten years. The ratio of agricultural products to total exports has fallen by one-half during the period, and represented less than 30 per cent of the total in 1972, while today it is finished industrial products (consumer goods and capital goods) which constitute the most important item,

Table 5 Gains and Losses of Market Shares

	Annual average 1962-67	Annual average 1968-73	1968	1969	1970	1971	1972	1973
Total	4	7	6	7	10	10	10	0
By market:								
OECD area	1	8	6	2	15	13	10	2
EEC (Six)	1	10	-8	9	27	12	5	12
EEC (Nine)	0	9	0	8	23	9	6	6
USA - Canada	5	9	16	-10	3	20	21	3
Central and Latin America	26	2	19	9	-5	8	-17	-8
By product:								
Agricultural and food products	2	1	-7	1	13	-7	3	0
Food industries	2	6	7	0	5	0	14	11
Total non-agricultural	7	11	16	10	8	19	13	0
Consumes goods ¹	7	13	7	15	8	19	21	10
Investment goods	36	9	16	18	23	15	2	-16

1 Including products of the food industries.

Source: OECD Secretariat estimates.

12 Spanish exports by value (in dollars) have been broken down into 30 groups of products, and the markets broken down into 30 geographical areas, so as to isolate 900 individual markets. The data in Diagram 7 (which do not take agricultural exports into account) are the result of aggregating the trends observed in these markets so as to eliminate structural effects (in markets or products) in the growth of exports. For a detailed description of the method, see the OECD Annual Survey of Germany, Paris, May 1974.

13 The proportion of Spanish products in total OECD exports of industrial products was 0.5 per cent in 1966 and 1.2 per cent in 1973.

Table 6 Percentages

		Column total = 100			
		World	OECD area	EEC (Six)	EEC (Nine)
Agricultural and food products ¹	1962	55	64	69	69
	1968	36	41	45	48
	1972	28	32	33	35
Consumer goods ²	1962	8	6	3	3
	1968	17	15	10	9
	1972	26	27	21	19
Investment goods	1962	7	4	3	2
	1968	13	7	4	4
	1972	17	12	12	14
Non-agricultural raw materials and semi-finished products	1962	30	26	25	26
	1968	34	37	41	39
	1972	29	29	34	32

1 Including products of the food industries and animal and vegetable oils.

2 Not including food products.

Source: OECD, Foreign Trade Statistics, Series B.

A study of the structure by geographical areas shows that there were two very differing periods. In the first period, the share of the American continent in total Spanish exports increased to the detriment of sales to the original EEC countries. This trend is specially connected with the fall in the proportion of agricultural products, which was even relatively greater in the case of the six countries. In the second period, on the other hand, the share of exports to that area increased, mainly owing to the expansion of sales of capital goods and, to a lesser extent, semi-manufactures. In 1972, the 9 countries of the European Community absorbed nearly 40 per cent of Spain's exports of capital goods, whereas in 1968, 70 per cent of these were sold to the American zone (of which 54 per cent to Latin America). On the other hand, exports to North America consisted mainly of consumer goods. The most extreme example of country product specialisation is probably that of footwear, 75 per cent of which is bought by the United States and Canada. Lastly, exports to Mediterranean and Middle East countries are showing especially high increases in market shares, and while their share of total Spanish exports is still small, it is constantly increasing (from 0.8 per cent of total exports in 1962 to 2.6 per cent in 1972) and consists mainly of capital goods and semi-manufactures.

Spain's increasing earnings abroad have their counterpart in Spanish industry's dependence on exports. While the ratio of non-agricultural exports to value added in manufacturing industry was 9.4 per cent in 1962, it grew very rapidly from 1968 onwards, to reach nearly 24 per cent in 1972. In some industries such as those manufacturing capital goods, the share is in the region of 40 per cent. The dependence is much smaller if total exports are compared with gross domestic product (industries only) giving a ratio of 6.8 per cent in 1962 and of 10 per cent in 1972.

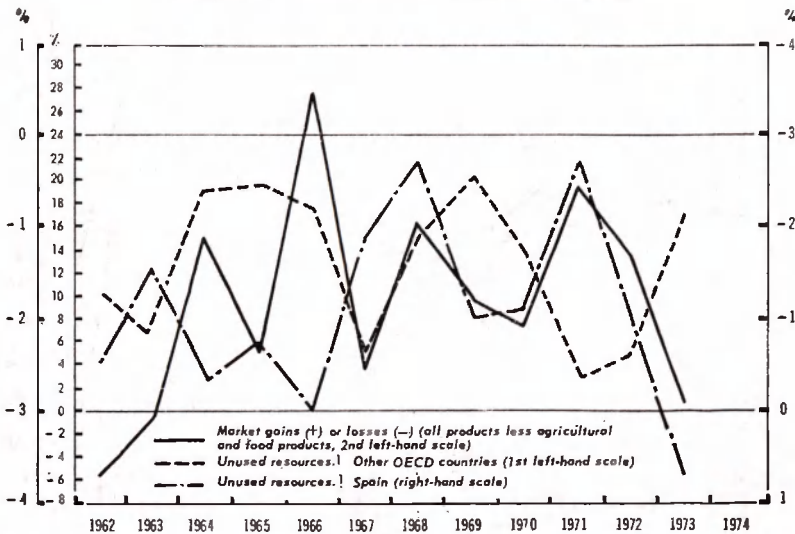
Since 1968, Spanish exports have seemed to depend much more on the level of domestic activity than on the pressure of foreign demand (see Diagram 4). It must, however, be stressed that the results of the analysis of trends in gains and losses of market shares must be interpreted with care since the data used for calculation are by value in dollars and also since the homogeneity of the commodity markets

Breakdown of Exports

USA and Canada	Central and Latin America	Line total = 100				
		OECD area	EEC (Six)	EEC (Nine)	USA and Canada	Central and Latin America
46	21	90	47	69	10	4
27	17	80	35	53	14	7
22	12	86	42	57	14	4
18	33	54	15	23	25	38
33	25	66	17	22	39	23
53	36	79	29	34	37	14
5	33	43	14	20	9	47
12	44	38	8	11	19	54
5	33	54	26	37	5	19
31	13	70	31	47	12	4
28	14	75	35	47	15	6
20	10	72	40	49	12	6

has not been ensured¹⁴. The existence of a connection between domestic demand and exports might be partly due to the growth of foreign direct investment in Spain. In 1972, this accounted for more than 7 per cent of total investment in machinery and equipment, compared with 1.2 per cent in 1962.

Diagram 4 Gains and Losses of Market Shares



1 Difference compared with GNP potential; for Spain's main trading partners weighted according to structure of Spanish exports.

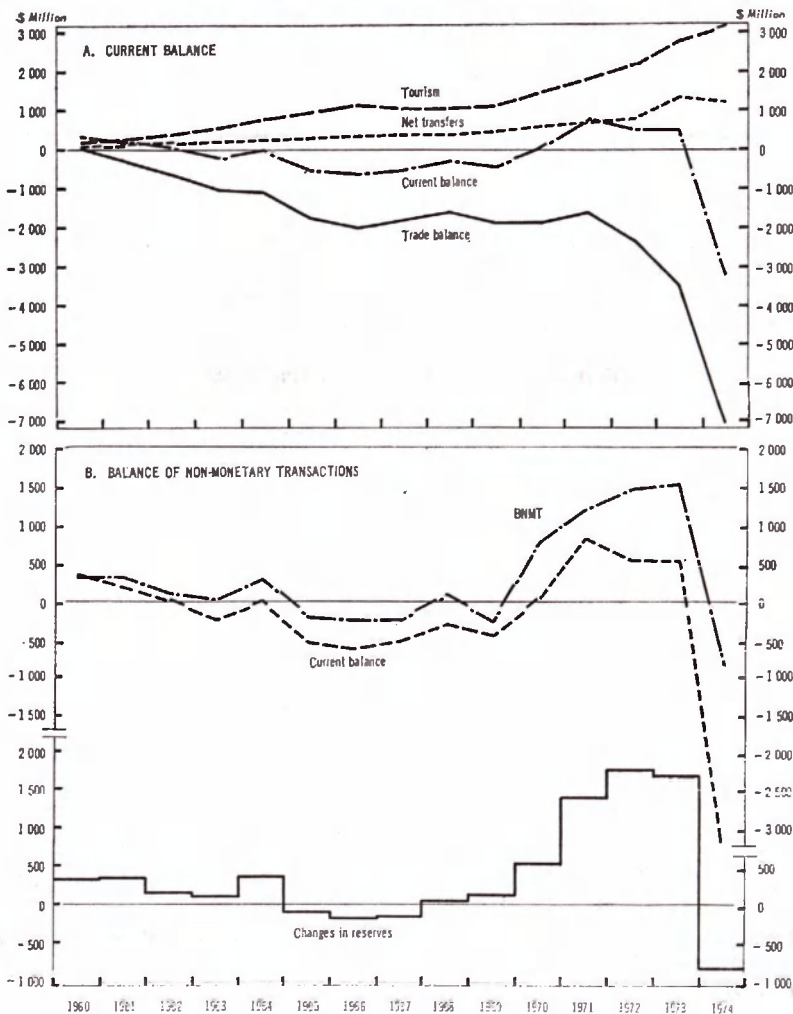
Source: OECD Secretariat.

14 See Annual Survey of Germany, OECD, Paris, May 1974.

Other items in the 1974 current balance

In addition to the increased trade deficit there was a fall in net earnings on invisibles account in 1974. Earnings from tourism fell by 5 per cent in peseta terms at current prices (2.6 per cent in dollars), which implies, allowing for the rise in domestic prices, a fall of nearly 20 per cent by volume. The share of tourism expressed as a percentage of total earnings from services fell from 63 per cent in 1973 to 54 per cent in 1974. In addition to the fall in the number of arrivals (—12 per cent as an annual average) there was a reduction in the expenditure per tourist. Broken down by countries of origin, this fall was especially marked for tourists coming from France, Italy, the United Kingdom and the United States. The slowdown of activity in the industrialised countries, and the general climate of uncertainty prevailing since the oil crisis, are clearly the main reasons for this decline. The relative appreciation of the peseta and the rise in domestic prices have also had a negative influence, particularly on “economy class” tourism.

Diagram 5 Balance of Payments



Source: Ministry of Trade and OECD Secretariat.

The decline (—7 per cent in dollars) in transfer receipts (mainly consisting of emigrants' remittances)¹⁵ is more difficult to explain since in dollar terms the average increase in wage rates in the main countries receiving Spanish workers, weighted according to the geographical distribution of Spanish emigrant workers was of the order of 11 per cent. Several factors may be mentioned by way of explanation. The marked slowing of emigration in 1974 was a negative factor, but does not suffice to explain the size of the decline. Thus, while in 1966-67 emigrants' remittances in the strict sense fell, private transfers as a whole continued to rise. At the same time it is possible that the savings of workers abroad fell off, either in absolute terms or in relative terms if the propensity to save was modified by the faster rise in prices. It would probably be rash, however, to link the results on a national scale with this specific group of workers. The most plausible assumption is that of a decline in transfers of money saved abroad; in a climate of economic uncertainty, emigrant workers might have kept their savings in the country to which they migrated so as to be able to use them more easily. So far as Spanish workers in France are concerned, the appreciation of the peseta by something like 10 per cent as an annual average against the franc in 1974 may have led them to postpone their transfers. Furthermore, the increase in restrictions on immigration in a number of countries may have tended to reduce the normal return flow.

The other invisible operations developed more favourably, enabling a slightly increased surplus on services to be recorded in 1974 compared with 1973, though still too small to offset the decline in transfers. For the first time since the early 1960s, income from investment showed a positive balance, with the help especially of the increased interest paid on foreign currency assets placed abroad. Freight and transport operations showed a surplus that was small (\$125 million) but the highest recorded during the period. In all, the current balance moved from a surplus of \$556 million in 1973 to a deficit of about \$3 billion in 1974.

Table 7 **Balance of Payments**
\$ millions

	1970	1971	1972	1973	1974 ¹
Exports fob	4 357	4 577	6 066	8 948	14 365
Imports fob	2 483	2 978	3 812	5 403	7 317
Trade balance	-1 874	-1 599	-2 254	-3 545	-7 048
Net services	1 294	1 687	2 051	2 688	2 680
Net transfers	659	767	867	1 413	1 222
Current balance	79	855	664	556	-3 146
Capital movements	776	565	916	1 007	2 367
Balance on official settlements	855	1 420	1 580	1 563	-779

¹ Provisional figures.

Source: Ministry of Trade.

Capital movements and foreign exchange market

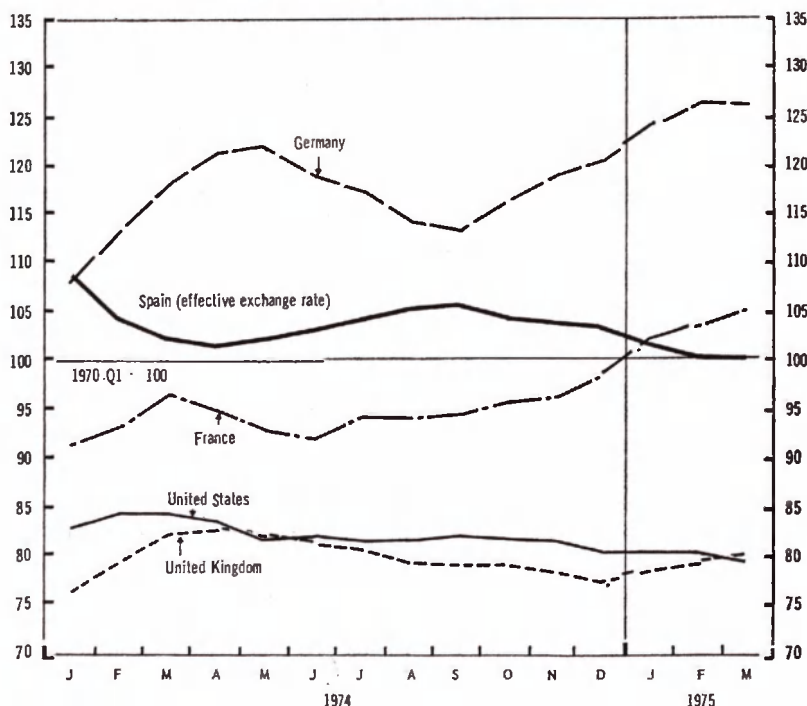
This deficit was financed partly by autonomous capital inflows, partly by "compensatory" loans and partly by a fall in the foreign exchange reserves. Inflows

¹⁵ A distinction is made in the Spanish balance of payments between "earnings from work" in the service industries, which are mainly of frontier and seasonal workers and under the heading of private transfers, the items "emigrants' remittances" for amounts of less than 50 000 pesetas, and "other private transfers" consisting mainly of remittances from workers abroad but less well distinguished statistically.

of short and long-term capital amounted to \$ 3.3 billion compared with \$ 1.3 billion in 1973. The reasons for this increase were the compensatory loans contracted abroad by firms in the public sector (approximately \$ 0.9 billion), and the sharp rise in the external indebtedness of private firms. Foreign long-term investment in Spain (direct, portfolio and real estate), on the other hand, declined from \$ 1.1 billion in 1973 to \$ 0.8 billion in 1974¹⁶. At the same time long-term capital outflows (mainly in repayment of loans contracted earlier, but also representing Spanish investment abroad) accelerated from \$ 0.3 billion in 1973 to \$ 0.7 billion in 1974. In all, the basic balance showed a deficit of \$ 1.6 billion (against a surplus of \$ 1.3 billion in 1973), but an exceptionally large net inflow of short-term capital¹⁷ (approximately \$ 0.8 billion) limited the fall in foreign exchange reserves to \$ 0.8 billion. At the end of 1974 the level of these reserves was approximately \$ 6 billion.

The deterioration of foreign trade was reflected after a certain lapse of time in the peseta exchange rate. The rate of exchange vis-à-vis the dollar depreciated sharply in January 1974 (on the 22nd of that month, it was decided to allow the peseta to float), then quickly steadied and rose gradually from May onwards. At the end of the year the appreciation of the peseta was approximately 15 per cent compared with December 1971 and 3 per cent compared with the beginning of the year. This tendency was due rather to the weakness of the dollar, however, than

Diagram 6 Foreign Exchange Market¹



1 Trend of Spain's effective exchange rate and of certain bilateral parities with the peseta.

Source: OECD.

16 In 1973 the balance of payments showed a capital inflow of \$ 120 million for the purchase of securities, whereas in 1974 there was an outflow of \$ 35 million under this heading.

17 Including errors and omissions and changes in balances in convertible pesetas.

to the strength of the peseta itself. The effective average rate for the peseta¹⁸; after appreciating considerably at the end of 1973 and up to mid-January 1974 fell back during the first quarter; after some recovery in the summer, partly seasonal, it gradually declined at the end of the year, though still showing a net appreciation of 1.4 per cent in the fourth quarter of 1974 compared with the corresponding period in 1973. At the beginning of 1975, however, the downward tendency became more marked, and at the end of March the effective rate for the peseta returned to its level at the beginning of 1970.

III ECONOMIC POLICY

Budget policy

The 1974 budget was conceived essentially as a moderately expansionary budget designed to reduce the inflationary pressures on the economy but without thereby dampening the rate of growth planned for 1974¹⁹. The budget had been prepared before the rise in oil prices, and was profoundly affected by the measures taken at the beginning of March to meet the consequences of the new international situation. Initially the authorities tried to minimise the impact of the rise in oil prices (the additional cost to the Spanish economy being estimated at approximately 125 million pesetas for 1974) by a reduction in taxes on petroleum products, causing the prices of those products to remain lower on average than in the main EEC countries²⁰. The loss to tax revenue resulting from this measure was estimated at some 30 billion pesetas. At the same time, with the object of reducing the burden on firms, the State took over the cost of the increases already decided upon in social security contributions, for the period April-June, 1974 (which was equivalent to a credit to the social security fund of the order of 10 billion pesetas). Furthermore, with the object of safeguarding employment, the 10 billion pesetas set aside in the 1974 budget for the short-term intervention Fund were unblocked and channelled into labour-intensive sectors. Finally, civil servants' salaries and pensions were increased. The estimated cost of all these measures taken together was approximately 70 billion pesetas, but over the year as a whole, the State deficit has been much less than this (approximately 40 billion pesetas instead of the balanced budget originally planned).

18 Calculated by the Secretariat with a weighting based on the structure of merchandise trade. The calculations by the Bank of Spain show a distinctly larger appreciation (8.1 per cent in March 1975). The differences are mainly due to the weights used and the treatment of third countries. The method used by the Secretariat takes into consideration elasticities of substitution on these markets, using as a basis the IMF model of multilateral exchange rates (a detailed description of this model is to be found in "The Geographic Pattern of Trade and the Effects of Price Changes" article by Paul S. Armington in IMF Staff Papers, volume XVI, no 2, July 1969).

19 See Economic Survey of Spain, April 1974, page 29.

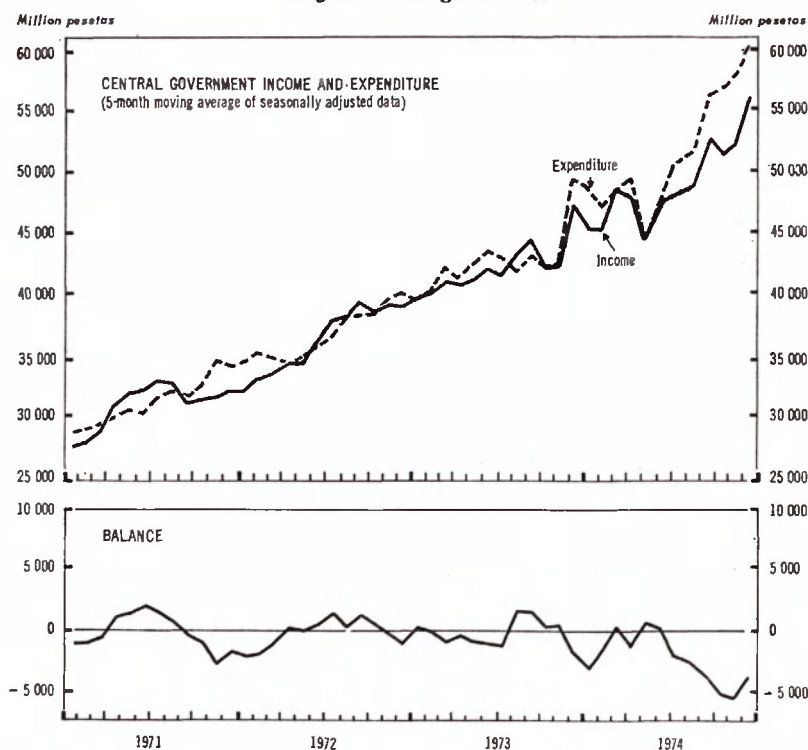
20 According to estimates by the Ministry of Finance, average prices in pesetas of the main petroleum products resulting from the measures adopted were as follows on 1st March 1974:

Average prices, in pesetas, of principal petroleum products

	Average of 4 countries*	Spain	Unit
Premium grade petrol	19.80	20.00	pesetas/litre
Ordinary grade petrol	18.60	17.50	—
Diesel oil	14.50	10.50	—
Fuel oil	4 200	3 200	pesetas/tonne

* France, Germany, Italy, United Kingdom.

Diagram 7 Budget Balance



Source: Bank of Spain Statistical Bulletin, and OECD Secretariat.

These measures were designed to protect the level of activity in the economy from the deflationary effects of the rise in oil prices. The starting point for this policy was the recognition that a sharp deterioration in the current balance was inevitable, which posed the immediate problem of how to finance the external deficit. Here the authorities were in a comparatively comfortable position in view of the high level of reserves. They nonetheless announced that a part of the deficit would be financed by "compensatory" borrowing abroad by public enterprises. Through these loans it was hoped to achieve the twofold objective of reducing the outflow of foreign currency and thus mitigating the effects of the crisis on domestic liquidity, and at the same time helping to sustain the level of investment. Once the external deficit was accepted, the authorities tried to safeguard private savings (and the level of investment) by making a substantial reduction in the Government's net lending capacity. In national accounting terms, for 1974 as a whole this reduction resulted both in a fall of some 10 billion pesetas in Government current savings and an increase of some 25 billion pesetas in capital expenditure. It was likely that, faced with the uncertainties of the economic and employment situations, firms and households would have hesitated to draw heavily on their savings in order to preserve the level of their investment or consumption. The savings-investment equilibrium would have been achieved with a smaller deficit on the current balance, but at a much lower level of activity. In addition it was important that the measures decided upon should take effect as soon as possible.

It is against this background that the result of Government operations in 1974 should be viewed. As a consequence of the measures described above, indirect tax-

tion increased by no more than 4.4 per cent during the year, while direct taxes rose by 17.8 per cent. This increase conceals, however, some widely differing trends. Thus the yield from tax on earned incomes increased at a rate comparable to that of 1973 (approximately 40 per cent) whereas that from corporate taxes stayed more or less the same and that from personal income tax declined by 7.2 per cent²¹. This trend gave rise to a substantial change in the relative weight of direct and indirect taxation, the latter accounting for no more than 51 per cent of central government revenue in 1974, whereas in 1973 it accounted for 57.5 per cent. The increase in expenditure accelerated considerably during the second half of the year, the rate in cash flow terms increasing from 19.3 per cent (compared with the corresponding period in the previous year) in the first half year, to 27.2 per cent in the second half year. The central government's cash position (expenditure and budgetary and non-budgetary revenue) thus moved from a balanced position in 1973 to a deficit of 39 billion pesetas in 1974, or approximately 1 per cent of GNP. This deficit was mainly financed by borrowing from the Bank of Spain. Issues of "cedulas" (investment bonds issued by the Treasury which must form part of the compulsory reserves of banks) amounted to only about one half of transfers to official credit institutions, which have grown considerably.

Table 8 Public Expenditure: Central Government
(a) Budget accounts and Treasury operations

	1972	1973	1974	73/72	74/73
	Billions of pesetas			Percentage changes	
I Budgetary operations					
1 Revenue	399.7	477.7	562.9	19.5	17.8
1.1. Direct taxes	117.6	147.5	189.6	25.4	28.5
1.2. Indirect taxes	219.6	274.8	286.8	25.1	4.4
1.3. Other revenue	62.5	55.4	86.5	-11.4	56.1
2 Expenditure	418.5	483.4	589.5	15.5	22.0
3 Budget Balance	-18.8	-5.7	-26.6		
II Extra-budgetary operations					
4 Revenue	12.5	16.4	24.1	31.2	47.0
4.1. Annex budget	6.4	9.6	15.6		
4.2. Local authorities	6.1	6.8	8.5		
5 Expenditure	21.6	28.8	36.0	33.3	25.0
5.1. Annex budget	5.6	7.5	16.6		
5.2. "Sección Apéndice"	6.9	8.7	10.7		
5.3. Local authorities	9.1	12.6	8.7		
6 Other revenue (+) and other expenditure (-) (net)	20.6	18.2	-0.5		
7 Extra-budgetary balance	11.5	5.7	-12.5		
III Total balance	-7.3	—	-39.1		
IV Borrowing (+) and lending (-)					
8 Bank of Spain	-24.0	7.3	53.7		
9 Treasury coins	0.5	—	—		
10 Public debt	16.0	5.0	1.3		
11 Loans from abroad	0.5	1.2	6.3		
12 "Cédulas"	31.5	12.1	23.9		
13 Less transfers to official banks	-17.3	-25.6	-46.1		

Source: Ministry of Finance.

²¹ The decline in the yield from personal income tax can be explained by the lower scales introduced in November 1973. It should be remembered however that in Spain this tax is a supplementary one (cf. Annual Survey of Spain, April 1973, p. 30).

Table 8 Public Expenditure: Central Administration
(b) Budget revenue and expenditure—Initial estimates

	1973	1974	1975 ¹	1974/73	1975/74 ²
	<i>Billions of pesetas</i>			<i>Percentage change</i>	
<i>Revenue:</i>					
Direct taxes	135.7	172.9	219.3	27.4	26.8
Indirect taxes	260.8	311.2 ²	355.0	19.3 ²	14.1
Total taxes	396.5	484.1	574.3	22.1	18.6
Other revenue	69.0	65.3	79.1	-5.4	21.1
Total revenue	465.5	549.4	653.4	18.0	18.9
<i>Expenditure:</i>					
Wages and salaries	185.1	217.0	277.2	17.2	27.7
Goods and services	31.4	36.6	43.1	16.6	17.8
Subsidies and transfers	104.7	125.5	145.8	19.9	16.2
Interest on public debt	8.2	8.6	9.2	4.9	7.0
Total current expenditure	329.4	387.6	475.3	17.7	22.6
Direct investment	61.8	70.6	81.3	14.2	15.2
Capital transfers	70.5	80.5	86.1	14.2	7.0
Total capital expenditure	132.3	151.1	167.4	14.2	10.8
Total expenditure	461.7	538.7	642.7	16.7	19.3
<i>Balance :</i>	+3.8	+10.7	+10.7		

1 Before the April 1975 measures.

2 Before the tax cut on oil products.

Source: Ministry of Finance.

The State budget for 1975 was prepared with a slight surplus (see Table 8 b). Revenue was expected to rise by 18.9 per cent, a rate slightly lower than that foreseen by the authorities for GNP by value (19.6 per cent). Direct taxation was to continue to rise at a distinctly higher rate than indirect taxation. On the expenditure side, salaries and wages were expected to increase rapidly and thus overtake some of the amount by which they had fallen behind wages in the private sector. In order to make Government action more flexible, the short-term intervention Fund had its resources doubled compared with 1974 (20 billion pesetas). Transfers to official credit institutions were fixed at 65 billion pesetas (as compared with 46 billion achieved in 1974) with the possibility of a 50 per cent increase on this figure. Authorisations to these institutions to incur debt abroad may be given up to 20 billion pesetas (as compared with 6 billion in 1974). In accordance with the practice of previous years, forecasts for the public sector as a whole have been published. They include central government, local authorities, social security and the independent bodies. To judge from the moderate extent to which it is planned to resort to the capital market (approximately 13 billion pesetas) it might be thought that the impact of the public sector on economic activity would be slightly expansionary in 1975. The measures taken in April 1975, however, have given budgetary policy a more restrictive stance. Firstly, it was decided to introduce a 15 per cent tax on interest paid by the banks and savings banks, and a temporary surtax on other capital income. In addition, company tax has been increased and personal income tax modified. These various measures should result in an increase of 14 billion pesetas in Government revenue in 1975 and approximately 35 billion pesetas in a full year.

Prices and incomes policy

The main lines of prices and incomes policy had been laid down in November 1973²². So far as incomes were concerned, wage increases were not to exceed 14 per cent, (i. e. the rise in the cost of living between December 1972 and December 1973) with exceptions in cases where productivity had risen. This rule was abandoned in 1974 (when wage earnings were rising by 26 per cent as an annual average) but was reintroduced in April 1975. Since that time wage increases must not exceed the rise in the cost of living during the 12 months preceding the signature of the collective bargain, plus 3 per cent in exceptional circumstances. Limits have also been set to increases in dividends and other income from capital. On the side of prices, the November 1973 provisions grouped prices in three categories: free market prices, those subject to surveillance, and those subject to prior authorisation. The list of products in the last-mentioned group was increased, and the rules for administrative action clarified, in May 1974²³. Depending on the product, the authorities may now intervene at the level of retail prices, traders' margins²⁴ or the production stage. For prices subject to surveillance, the authorities reserve the right to influence the supply of products (by imports, running down stocks, or in other ways) when the level exceeds what is felt to be desirable. It is difficult to assess the results obtained in 1974. From December 1973 to December 1974 prices subject to prior authorisation increased at about the same rate as retail prices as a whole, but the rise in prices subject to the surveillance system was significantly slower (about 13 per cent compared with 17.9 per cent). In April 1975 the price control mechanism was strengthened: traders' margins were frozen, and firms were not allowed to pass on into prices any increases other than authorised wage increases and rises in the price of raw materials. Lastly it was decided that farm prices will be fixed globally each season by the Council of Ministers.

Monetary policy

In 1972-1973, the very steady expansion was accompanied by a rapid increase in the monetary aggregates, helped by a large rise in the foreign exchange reserves. At that time the risk of an inflationary take-off led the authorities to adopt, in the second half of 1973, a restrictive monetary policy designed to mop up liquidity in the banking system. In 1974, on the contrary, the Bank of Spain tried to offset the effects of the oil crisis on domestic liquidity and growth, and began to act at the beginning of the year without waiting for the reversal of the trend of activity to take effect. To this end, but allowing also for the inflationary pressures on the economy, the authorities fixed as a main target a growth in liquid assets (M3) of 20 per cent²⁵ in the first half-year and 18 per cent in the second half-year²⁶. As in 1973, the instrument selected to attain these objectives was control over surplus liquidity in the banking system, but the problem then facing the authorities was to inject liquidity into the economy in a regular fashion.

The policy of controls was effective overall in the first half of the year, despite some difficulties partly connected with the lack of flexibility of the instruments

22 Cf. Annual Survey of Spain, April 1974, p. 28.

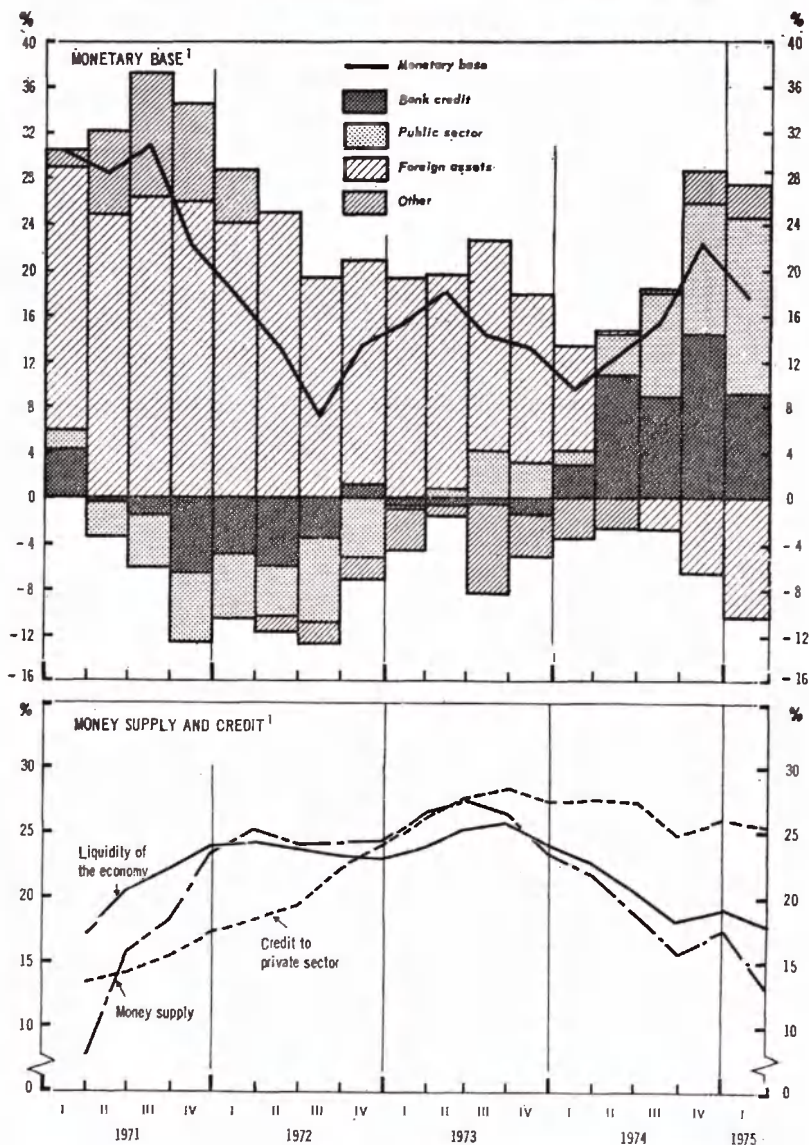
23 There are now 97 products and services in the list instead of 82.

24 For agricultural products, retail traders' margins are approximately 15 per cent and wholesalers' margins approximately 5 per cent.

25 Compared with 17.7 per cent on the average from 1961 to 1970, and 23.7 per cent for the period 1971-1973.

26 These rates were used as a basis for calculating the desirable growth rate of bank credit to the economy which, allowing for the effect of the neutralisation of liquidity in the foreign trade sector, only partially offset by the creation of money in the public sector, was fixed at 24 per cent.

Diagram 8 Counterparts of the Monetary Base and Money Supply



1 Rate of growth over corresponding period in previous year (end of period).

Sources: Bank of Spain Statistical Bulletin and Economic Indicators Supplement.

available to the authorities, which was partially responsible for the excessive growth of bank credit in the early months of 1974²⁷ (34 per cent at an annual rate in March, 40 per cent in April). In the face of this trend, a more restrictive turn was given

27 The rules for calculating liquidity ratios were amended in February in a direction which helped the banks to operate with very reduced cash balances. At that time it was thought that the banks would not change their practices and would maintain cash balances equivalent to 0.5 to 1 per cent of their deposits, but in fact the strong demand for credit led them to reduce their cash holdings substantially.

Table 9 Money
Percentage change over corresponding quarter in the previous year

	Outstand- ing as at 31-12-74	1974				1975 I
		I	II	III	IV	
I Monetary base	742.7	9.6	12.2	15.6	22.0	17.4
Banks' liquid assets	295.4	1.1	8.9	18.6	33.1	19.0
Currency in the hands of the public	447.3	15.7	14.4	13.7	15.6	16.3
Counterparts						
Credits to the banking system	241.7	10.5	40.9	33.2	58.3	32.3
Public sector	151.5	7.9	28.6	73.4	84.5	103.4
Foreign assets	353.4	15.3	0.2	-4.2	-10.1	-16.8
Others	-3.9					
II Liquidity of the economy	4 401.9	23.8	20.8	18.3	19.1	18.1
Currency in the hands of the public	447.3	15.7	14.4	13.7	15.6	16.3
Sight deposits	1 201.1	23.9	20.9	17.0	18.4	12.4
Savings deposits and time deposits	2 753.5	23.5	21.8	19.7	20.0	20.7
Counterparts						
Public sector	355.3	5.8	9.4	15.5	18.8	16.7
Private sector	4 077.4	27.5	26.8	25.3	26.7	26.3
Foreign assets	205.9	9.0	-12.3	-20.8	-37.3	-48.5
Others	-236.7					

Source: Monthly Bulletin of the Bank of Spain. Quarterly supplement.

to monetary policy with the raising of the liquidity ratio in April. This measure led in turn to a rapid rise in the inter-bank interest rate. These factors of rigidity, together with the small amount of Treasury bonds in circulation²⁸, led the Spanish authorities to develop a new instrument from the summer onwards—the opening of very short-term credits (usually for one week) available each day through the Central Bank to the banking system at a rate of interest and for amounts fixed by the Central Bank²⁹. Partly under the influence of seasonal factors, these “personal” credits expanded rapidly at the beginning of the summer. Nonetheless the excessive tightening of credit in the period April-May, and the falling-off in activity during the second part of the year, caused a decline in the monetary aggregates which continued at lower levels than the targets. This development was partly responsible for the surplus liquidity in the banking system, which was of the order of 1 per cent at the end of the year.

Short-term interest rates reflected the pressures exerted on bank liquidity. Thus the very rapid rise between March and June 1974 (from 7 to 15.6 per cent) corresponds exactly to the reduction in the liquid assets of the banks after the raising of the cash ratio. On the other hand, when the monetary authorities decided from July onwards to increase bank liquidity, the inter-bank rate fell to a very low level (5 per cent in October). The general direction of this trend was not very different from that observed on the international markets (see Diagram 9), which probably helped the authorities in their task. Controlled rates of interest remained stable from July 1973 to August 1974, when the base rate of the Bank of Spain was raised from 6 to 7 per cent, leading to an adjustment of all controlled rates. During the second half of 1974, the free long-term lending rates, which had remained steady in the neighbourhood of 11 per cent from mid-1973 to mid-1974, increased by some

28 The amount was too limited to enable the Bank of Spain to inject liquidity by an open-market policy, though this had been very effective in 1973 in a restrictive direction.

29 Allocated among the banks in proportion to their deposits.

Table 10 Monetary Indicators

	1973				1974				1975 I
	I	II	III	IV	I	II	III	IV	
Change over preceding quarter, s.a., annual rate									
Liquid assets	25.3	28.2	22.9	21.1	19.7	18.3	14.3	24.3	15.2
Credits to private sector	28.6	28.6	29.6	23.4	29.1	26.7	20.2	27.2	27.2
Banks freely disposable liquid assets (percentage of total liquid assets, end of period)	2.37	1.39	0.76	0.56	0.46	0.15	0.73	1.16	0.37
Effect on bank liquidity of monetary authorities' operations (billions of pesetas) ¹									
Treasury bonds	-6.2	3.3	-2.9	5.8	-9.1	9.0	-9.5	9.6	-0.5
"Personal" credits	-1.9	0.3	—	-0.1	1.2	17.5	-13.2	29.8	-13.1

1 Sign shows restrictive effect.

Sources: Monthly Bulletin of the Bank of Spain and Quarterly supplement.

3 per cent, while borrowing rates, which were freed in August 1974, increased by nearly 2 per cent to the neighbourhood of 9 per cent. The yield on bonds increased by nearly 2 points between the beginning and the end of 1974, by which time it was over 12 per cent.

As in 1973, the increase in banks' assets was due basically to the rapid expansion of time deposits, which became still more rapid in the second part of 1974 following the freeing of borrowing rates for more than 2 years. The financing of the private banks by issues of bank bonds expanded appreciably, as did financing by the Bank of Spain, which exceeded 60 billion pesetas in the early months of the year. On the other hand, for the first time since 1963, the private banks had less recourse to external financing. Trends in lending by the banks to the economy varied greatly over the course of the year. The strong demand for credit, combined with the surplus liquidity of private banks at the beginning of the year, led to an excessive growth of credit in March-April. The rate of growth subsequently slowed down, but speeded up again towards the end of the year. This trend was reinforced by the steep rise in credit offered by the savings banks and the official credit institutions. Overall, the increase in total lending to the private sector moved from an annual rate of about 29 per cent in the first quarter³⁰ of 1974 to about 20 per cent in the third quarter and about 28 per cent at the end of the year.

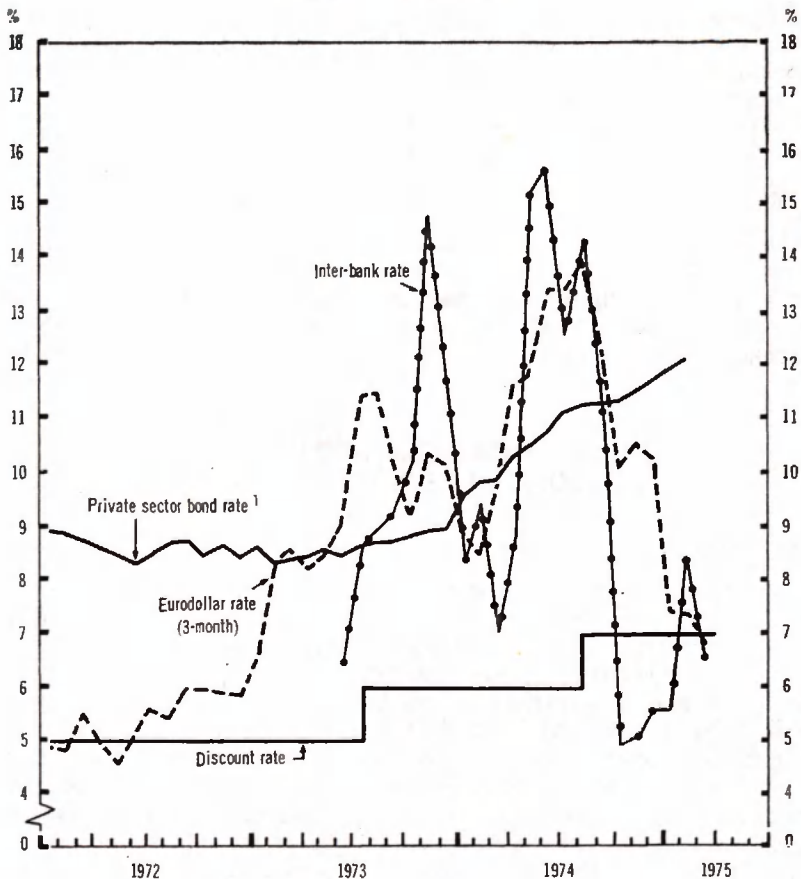
On the capital market, issues of private securities expanded appreciably, mainly owing to some issues by financial companies. Activity on the secondary market was fairly well sustained despite a fall in share prices of nearly 25 per cent from April to December 1974. Net issues by central Government, on the other hand, fell back considerably for the third consecutive year. Gross issues of the INI on the domestic market totalled 14 billion pesetas, an amount comparable to those of previous years.

The progressive reform of financing mechanisms

Very short-term control of bank liquidity, with the object of controlling the expansion of the money supply, has been part of the efforts made by the Spanish

30 Quarter on previous quarter, at annual rates, seasonally adjusted.

Diagram 9 Interest Rates



1 Yield.

Sources: Bank of Spain Statistical Bulletin and Economic Indicators Supplement; OECD Secretariat.

authorities since 1970 to make the banking system more sensitive to influence by monetary policy and thus enable such policy to be used effectively as an instrument for regulating short-term economic trends. Between 1970 and 1972 the possibilities of automatic recourse to the Bank of Spain at preferential rates (for public debt purposes, financing of the agricultural sector, and automatically rediscountable securities) were considerably reduced, while the commercial banks became obliged to maintain a minimum cash ratio and an investment ratio. These various measures made it possible to reduce the banks' disposable liquid assets from 7 per cent of deposits in 1969 to between 0.5 and 1 per cent in 1974. The tightening of surplus bank liquidity and the expansion of operations in Treasury bonds and personal credits would in time, it was hoped, result in the development of a money market³¹;

31 The modification in the compulsory liquidity ratios imposed in February 1974 on the commercial banks (7.5 per cent) and the savings banks (4 per cent) was a movement in the same direction. These ratios no longer had to be observed daily, but over an average of 10 days, and had to be within the limits of 6.5 per cent and 8.5 per cent of deposits. It was thought at the time that the need to conform to this ceiling would encourage banks to place their surplus cash on the money market.

but so far the efforts of the monetary authorities in this direction have been only moderately successful, partly for cyclical reasons, but also for institutional reasons.

The second aspect of the reform of the financial system has been the closer alignment of the institutional functioning of the various bodies involved, and the greater importance accorded to market forces. In 1973 the banking system as a whole, and no longer only the industrial banks, became entitled to accept deposits of more than two years' duration and to pay interest on them. In August 1974 it was decided to allow the commercial banks and deposit banks to issue deposit certificates, a right previously confined to the industrial banks. On the same date it was decided to abolish the division of responsibility between the industrial and the commercial banks. The opening of branches was facilitated, and rates of interest for borrowing or lending for more than two years were freed. Finally, the investment ratio of the savings banks was reduced, and they were brought into the clearing system.

IV SHORT-TERM FORECASTS AND ECONOMIC POLICY CONCLUSIONS

Short-term forecasts

The sharp deceleration in activity which occurred in the second part of 1974 is likely to continue in 1975. It would indeed seem problematical whether any spontaneous recovery of growth can take place before the end of this year, the more so as the latest decisions of the Government are not directed at sustaining growth but, on the contrary, give priority to combating inflation. For 1975 as a whole, the official forecasts made at the end of April show a rate of growth of GNP in volume terms of approximately 2.5 per cent, compared with 5 per cent in 1974. The deceleration is expected to be even more marked where domestic demand is concerned, the predicted rate of increase moving from 5.5 per cent in 1974 to approximately 1.8 per cent in 1975. The main elements of the official forecasts are presented in Table 11 and in the following few paragraphs. The principal points of uncertainty relating to these forecasts are discussed in the concluding section of this Survey.

1975 will probably be marked by a steep rise in unemployment. It is admittedly not easy to quantify this trend because of the very great statistical uncertainty that surrounds estimates of unemployment in Spain. Two factors, however, will tend to cause a substantial increase in the number of jobless: first the slowdown in domestic activity, and second the depressed level of world activity. The natural increase in the available work force will not therefore be fully absorbed either by growth in domestic production or by net emigration, which, it may be assumed, will be close to nil in 1975, and may even be negative. On the other hand, the rise in unemployment might be checked by a number of spontaneous adjustment mechanisms such as a decline in participation rates and a shift of labour from industry back to services, crafts or farming. Lastly it should be noted that Spanish labour legislation has so far made it difficult for employers to lay off workers, and that some will probably reduce working hours and stop recruiting before making any serious reductions in the numbers they employ.

With regard to prices, there is likely to be a slowdown in the very rapid upward movement (in terms of rate of increase during the year) recorded in 1974. The moderating influences might be a smaller increase in raw material prices and, especially, the weakness of domestic demand. However, factors of escalation will persist in 1975, particularly the steep upward movement of wage earnings (26 per cent as an annual average in 1974), which is bound to be reflected in producer prices.

All in all, the rate of increase in consumer prices in the course of the year (December to December) might be reduced, according to the official forecasts, from 18 per cent in 1974 to 12 per cent in 1975. Nevertheless, given the time path of prices in 1974, the increase expressed as an annual average is likely to remain very considerable: 16 per cent in 1975 as against 15.2 per cent in 1974.

Concerning incomes of households, there is likely to be a somewhat more moderate rate of growth of wage incomes. This more moderate trend should come about as a result of the easier conditions that have already appeared on the labour market, and, in wage bill terms, would reflect in particular the reduction in working hours. There is also likely to be some easing of the burden of direct taxation. In all, allowing for the foreseeable trend of prices, the growth in purchasing power of households is likely to be considerably less than in 1974.

It is not easy to estimate consumption and saving by households in 1975. On the one hand, the low rate of increase in purchasing power might cause them to reduce their savings ratio in order to maintain the growth of their consumption in real terms, which will certainly be well short of past performance. On the other hand, the rise in unemployment should be an incentive to save more. The assumption made by the national experts is of a real increase of approximately 2 per cent in private consumption in 1975, which implies a sharp slowdown by comparison with the rate of 5 per cent recorded in 1974. Public consumption should continue to rise at a fairly high rate (4 per cent compared with 4.5 per cent in 1974).

Table 11 1974 Results and Official Forecasts for 1975

	1973	1974 ¹	1975 ²
	Billion pesetas	Percentage change in volume	
DEMAND AND OUTPUT			
Private consumption	2 373	5.0	2
Public consumption	401	4.5	4
Gross asset formation	850	7.5	$\frac{1}{2}$
capital equipment	465	9.6	
construction	385	5.0	
Total domestic demand ³	3 624	5.5	1.8
Exports (goods, services and factor income)	615	2.4	1
Imports (goods, services and factor income)	663	7.0	-3
GNP	3 576	5.0	2 $\frac{1}{2}$
GNP price deflator		13.6	15
Consumer prices		15.7	16
		<i>Percentage change</i>	
FOREIGN TRADE			
Exports (volume)		5	1 $\frac{1}{2}$
Exports (price) ⁴		28	15
Imports (volume)		7	-3
Imports (price) ⁴		40	11 $\frac{1}{2}$
		<i>\$ billion</i>	
BALANCE OF PAYMENTS			
Trade		-7.0	-6.9
Invisibles		3.9	4.3
Current balance		-3.1	-2 $\frac{1}{2}$

1 Provisional estimates.

2 Forecasts.

3 Spanish statistics do not show stocks separately.

4 In pesetas.

Sources: INE, Ministry of Finance and Ministry of Trade.

Concerning investment, there is at present both a deterioration of firms' expectations and continuing relatively wide margins of spare productive capacity. There is thus likely to be a slowdown in investment, particularly in plant and equipment. Housebuilding is liable to feel the after-effects of the fall in real income of households, and it is unlikely that there will be any upswing in construction, given the large stock of unsold dwellings that probably existed at the end of 1974.

Externally, a large trade deficit of the order of \$ 7 billion as in 1974 is likely to be maintained in 1975 according to Spanish experts. It is very difficult to forecast imports precisely, in view, among other factors, of the inaccurate assessment made of the level of stocks of imported goods at the end of 1974. However, the tendency for imports to fall in volume terms under the influence of less buoyant domestic demand, which began at the end of 1974, may be expected to continue in 1975. As regards exports, the weakness of foreign markets might be partly offset by the strongly competitive position of Spanish products. Non-agricultural exports continued to expand fairly strongly in real terms during the second half of 1974 despite the weakness of foreign demand, and it would be reasonable to expect a further increase in market shares in 1975. The seasonally adjusted foreign trade figures for the first quarters of the year show, however, that imports are stable in value terms while exports have weakened. Earnings from tourism will probably again be affected by the slowdown in activity in OECD countries. In all, the growth of merchandise exports in real terms is likely to be less than in 1974, though remaining slightly positive in the view of the official experts (1.5 per cent compared with 5 per cent in 1974). Assuming that export prices in terms of pesetas rise more rapidly than import prices, and that emigrant workers' remittances show a moderate increase, the result according to the national experts might be a slightly smaller deficit on current account in 1975 than in 1974 (\$ 2.5 billion compared with \$ 3.1 billion). This deficit would probably be largely financed by inflows of long-term capital as in 1974. In this regard, the expected increase in repayment flows in 1975 might be offset by the development of new sources of financing, especially from the OPEC countries. The level of the official reserves remains high (\$ 5.7 billion at the end of the first quarter of 1975).

Economic policy issues

The economic policy measures in 1974 made it possible to avoid too sharp a slowdown in activity, at the cost of some increase, accepted by the authorities, in the external deficit. In the last months of the year, however, the delayed effects of international recession were felt in the Spanish economy which, as in the past, experienced the same fluctuations in the level of business activity as its main trading partners but with some time-lag. In 1975 the trends observed at the end of 1974 are likely to continue, and the Spanish authorities thus have to face a twofold danger: heightened inflation due to the starting of a new price-wage spiral, with the inevitable effects of such a development on external relations; and a more marked recessionary trend, with serious consequences for the level of employment. The 1975 budget drawn up at the end of 1974 was moderately expansionary, but the persistence of strong pressures on prices and wages and of a large current deficit led the authorities to give priority in April 1975 to the fight against inflation and to take a series of measures³² to reduce the budget deficit and strengthen controls over prices and incomes. The tax measures should result in an increase in tax revenue of approximately 14 billion pesetas in 1975 and 35 billion in a full year. So far as control of incomes is concerned, it was decided in particular that collective bargaining should not be allowed to result in wage increases higher than the rise in the cost of living

during the twelve months preceding the agreement (but with an exceptional margin of three points in certain cases). Lastly, various measures have been taken to strengthen the price control arrangements introduced at the end of 1973.

These various measures designed to contain an excessive rise in prices admittedly seem justified in a country where recently the rate of inflation in annual terms was close to 20 per cent and the amount of the current deficit was still substantial. This is all the more true as the official forecasts appear in some respects to be slightly optimistic as regards prices and the current balance: for instance, as noted before, a very marked slowdown in the rate of increase in consumer prices during the year is predicted. Admittedly, the fall in prices of raw materials and the weakness of domestic demand, are grounds for such a forecast; but, on the other hand, the sharp rise in wage earnings in 1974 will still weigh heavily on unit labour costs in 1975. Thus in the first four months of the year the annual rate of increase remained close to 14.5 per cent. This is why it would be advisable to maintain the present price control arrangements even though comparable measures, introduced at the end of 1973, did not succeed in containing the rise in prices within the limits set by the authorities. In 1975 the weakness of demand might make the present controls more effective. In any case, it would presumably be difficult, and probably not very effective, to impose much tighter controls than those already in force. On the side of wages, the problem is still to set guidelines that will prevent the start of a price-wage spiral. It must, however, be remembered that in Spain there is no institutional framework for concerted action by the partners in industry.

So far as foreign trade and payments are concerned, 1974 was a year of good export performances. Even so, these performances would probably have been better if exports of agricultural products had not deteriorated sharply. For 1975 it may be wondered whether the official forecasts do not over-estimate the ability of Spanish products to penetrate international markets. The latest Secretariat forecasts indicate that Spain's export markets will show a negative growth in 1975 (— 2 per cent approximately); consequently a rise of $1\frac{1}{2}$ per cent in Spanish exports by volume would imply appreciable increases in market shares. As the official forecasts also assume a distinct improvement in the terms of trade, the main argument that can be invoked to support this trend is the dynamic attitude shown by exporters in the past when business activity at home was in decline. One may nonetheless have doubts about such an adjustment in an economic situation of increasingly strong international competition. Tourism is likely to suffer the effects of a deteriorating economic situation in the principal European countries. Concerning merchandise imports, the officially expected volume decrease of 3 per cent in real terms appears large in relation with the probable positive, if modest, growth of total domestic demand in 1975. It is difficult, however, to make judgements in the absence of any data on stocks in 1974; a large readjustment of stocks of imported goods, as is currently observed in other countries, could justify the import forecast. To sum up, the deficit on current account might exceed the official forecast of \$2½ billion in 1975 mainly due to somewhat weaker export trends.

The peseta, which had been slowly depreciating during 1974, moved downwards more steeply at the beginning of 1975, with the result that by the end of May its effective average rate of exchange³³ had returned to its 1970 level. Here the task of the authorities will be to limit the movements of the peseta so as to maintain an effective exchange rate which reflects the relatively competitive position of the economy, while ensuring relative stability. In all, the main hazards to be avoided in external relations would appear to be, first, too sharp a depreciation of the peseta, which would be bound to lead to an immediate worsening of internal inflationary

33 Weighted by the structure of Spain's foreign trade, as calculated by the OECD.

pressure without giving any decisive advantage to Spanish products on the international markets in view of the low level of world activity and intensified international competition; and second, recourse to import restrictions, which, besides being contrary to Spain's international commitments; would have the result of delaying, perhaps for a long time, the modernisation of the Spanish economy.

In the light of these various risks, the priority given by the Spanish authorities to anti-inflation measures and to the reduction of the external deficit seems justified. The authorities have indicated, moreover, that they will keep to the broad lines of this policy until there are signs that the economy is moving back into equilibrium. The possibility must not be overlooked, however, of a more marked decline in activity accompanied by a substantial rise in unemployment. Firstly, households, in the face of an increasingly difficult situation in the labour market, might try to constitute precautionary savings; which would affect the level of their consumption in real terms. At the same time, confronted by increasing difficulties in regard to financing, as the result especially of tighter price controls, firms may delay their investment expenditure to a greater extent, and investment may no longer merely remain flat in volume terms but may decline somewhat. In all, if these assumptions are fulfilled, the slowdown in activity is likely to be more marked than that expected by the national experts, and total and partial unemployment might become more widespread, which would help to reinforce the factors depressing the economy. Such a risk raises the question of what adjustments might be made to economic policy. It is admittedly not possible for Spain, a country of medium size and directly and indirectly suffering from the effects of worldwide recession, to undertake a policy of sustained recovery of which the main effects would be to accentuate external imbalance without ensuring that activity rose rapidly. At the most it is possible to envisage measures to give selective support to the economy and to moderate the effects of the slowdown, especially where the level of employment is concerned.

One of the chief risk in 1975 is the emergence of widespread unemployment. It should be possible, however, partly to cushion the impact of this largely inevitable development by a number of economic policy measures. For one thing, it must be remembered that unemployment insurance coverage is extremely meagre under the present system: in particular, coverage against partial unemployment, which is likely to be very widespread in 1975, is minimal. It would be desirable for improved coverage to be provided out of public funds (as under the present system) but with the addition of some participation by firms. At the same time, the authorities will need to encourage firms to keep dismissals to a minimum and to allow the effects of the slowdown in activity to be felt in shorter working hours rather than by reductions in number employed. Finally, should the slowdown become more marked, it would be important for the authorities, in order to prevent unemployment from rising too steeply, to adjust the present stance of economic policy somewhat.

With regard to budget policy, although during the first half of 1974 the budget had a relatively neutral impact overall, in the second half it helped to support activity. For 1975, the April measures have made budget policy less expansionary in character. The Spanish authorities do not at present envisage giving any further impetus to activity through government spending. Nevertheless, if the slowdown were to become too marked, the government might adjust its action. It should be remembered that in the 1975 budget the appropriations for the Fund for short-term economic intervention have doubled and now represent about 0.5 per cent of GNP. But given the time it takes for the economy to respond, they would have to be used sufficiently early in order to produce their effects on activity in time. It would also be desirable to channel more of the appropriations allocated to the Fund into social infrastructure and low-cost housing, which have the short-term advantage of being labour intensive and of having a low import content, while in the medium-term they meet obvious needs. Lastly, the government might, if demand were

to weaken still further, encourage public enterprises to bring forward their capital investment projects. On the revenue side, emphasis might be placed on a readjustment of the tax burden. It was mentioned earlier that the changes in the rates of various direct taxes decided on in November 1973 led to some restructuring of the tax burden in 1974: it was in fact the low and middle income groups which bore the brunt of the increase in taxation, whilst those with high incomes were still at an advantage. The raising of the minimum level of taxable earned income decided on in 1974 is a step in this direction, but more needs to be done, especially through measures to prevent tax evasion.

A notable feature of monetary policy in 1974 was very flexible management by the monetary authorities so as to adjust money creation to the requirements of the economy and limit the effects of the oil crisis as much as possible. At the same time efforts to modernise financing channels were intensified. It would be desirable to continue on this path in 1975, and in particular to bring the activities of the savings banks more completely into the banking system. As far as counter-cyclical action is concerned, monetary policy should be so tailored as to back up the authorities' endeavours to re-establish equilibria. In particular, the trend of interest rates should not be in opposition to the constraints of external equilibrium. But should the slowdown in activity prove more pronounced than expected, it might perhaps be necessary to encourage a selective monetary approach, expanding credit to small and medium-sized firms, many of which are in sectors immediately affected by the recession or experiencing structural difficulties, and granting credit for construction purposes. Lastly, to encourage emigrants to repatriate their funds in 1975, preferential rates of interest might perhaps be paid to those working abroad and investing their funds in Spain.

For the medium-term, the authorities proposed in January 1975 a series of priority areas to be taken into account in the Fourth National Development Plan, which will shortly be discussed by the Cortes. The preliminary document for this discussion is still too general for it to be possible to evaluate the options it contains. It seems worthwhile to note, however, the three problems that have been given priority by the authorities in fixing the objectives of the Plan. Firstly, great efforts must be made in the future to increase the productivity of the agricultural sector. It seems paradoxical, to say the least, that an economy in which nearly 25 per cent of the active population is still engaged in agriculture should be barely in equilibrium, and even in deficit in 1974, on its foreign balance in agricultural and food products. Secondly, energy policy will certainly have to be redefined: the policy adopted by the Government in 1974, of reducing taxation on all petroleum products in order to prevent the increase in prices of imported products from having too great an impact on the level of domestic prices, has admittedly had a moderating effect, but has on the other hand done nothing to limit domestic consumption and hence imports of petroleum products³⁴. It would seem to be difficult to continue such a policy in the future. Even if taxes on petroleum products are maintained at the lower level in order to keep domestic prices down, it would be necessary at the same time to introduce and strictly supervise the programme now being worked out to reduce domestic consumption of energy products by households and firms, while developing domestic sources of supply.

A third fundamental medium-term problem is that of full employment. This has been achieved in recent years by sustained growth of domestic production and, until 1974, net emigration. If, however, the new constraints on expansion brought about by the energy crisis, and the priority given to anti-pollution mea-

34 It must be recalled in this connection that while most OECD countries recorded a decline in real terms in domestic consumption and imports of petroleum products in 1974, in Spain there was a substantial increase in both.

tures and respect for the environment, make it necessary to slow down the rate of growth somewhat in the future, it will be increasingly difficult to absorb the natural increase in the labour force into the productive system, the more so since the raising of the school-leaving age, which has had a moderating effect on the growth of the work force over the last decade, will probably not be such an important factor in the years ahead. There may also be some deliberate limitation of immigration into countries traditionally accepting Spanish workers. In sectoral policies, therefore, and in the choices that will be made as to types of capital equipment and conditions of work (it must be remembered that the average working week is still very long in Spain), the authorities will have to keep this new constraint very much in mind and initiate action to limit its effects.

STATISTICAL ANNEX

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Table A National Accounts
Billion pesetas

	Current prices					1964 prices				
	1969	1970	1971	1972	1973	1969	1970	1971	1972	1973
1 EXPENDITURE										
1 Consumers' expenditure	1 378.8	1 522.2	1 701.9	1 988.0	2 372.8	1 012.5	1 052.1	1 084.7	1 162.7	1 240.6
(a) Food	551.6	608.1	665.4	775.3		409.2	432.9	440.0	464.8	
(b) Clothing	182.5	205.7	237.4	289.5		122.3	125.9	134.0	149.5	
(c) Rent	109.3	117.7	130.4	141.9		77.8	79.7	83.5	86.1	
(d) Durables	123.1	132.5	141.0	166.2		109.5	112.5	114.5	126.8	
(e) Other	412.3	458.2	527.6	615.1		293.7	301.0	312.6	335.4	
2 Government current expenditure	214.4	249.5	288.4	342.6	400.9	121.1	132.4	141.0	149.5	158.5
3 Gross domestic fixed asset formation	441.1	481.5	500.3	620.0	775.2	369.5	383.7	377.5	439.4	502.3
(a) Residential construction	80.2	83.7	84.4	98.8		62.6	61.3	57.8	60.2	
(b) Other construction	146.8	164.6	179.6	215.0		117.4	123.5	125.4	140.0	
(c) Machinery and equipment	214.0	233.3	236.2	306.3		189.5	198.8	194.3	239.2	
4 Changes in stocks	41.2	39.8	41.0	54.8	75.0	35.6	33.1	32.7	41.5	51.8
5 Exports of goods and services	273.3	343.0	416.6	495.8	614.7	216.4	258.7	295.9	331.4	373.8
6 less: Imports of goods and services	338.1	383.6	410.4	511.3	662.6	261.1	276.1	278.0	335.0	392.6
7 Gross national product at market prices	2 010.5	2 252.4	2 537.8	2 989.9	3 576.0	1 494.1	1 583.8	1 653.9	1 789.5	1 932.7
2 INDUSTRIAL ORIGIN										
1 Agriculture, forestry and fishing	274.2	280.3	319.2	363.8	422.2	219.7	224.9	242.6	248.4	262.1
2 Mining and quarrying	19.5	20.3	22.7	23.9	28.7	16.5	14.8	15.2	16.0	15.9
3 Manufacturing	496.4	560.0	617.2	746.4	894.6	427.2	459.2	483.0	540.4	599.4
4 Construction	102.1	112.4	120.0	141.1	174.6	80.1	82.5	81.5	88.8	96.8
5 Electricity, gas and water	40.6	48.2	56.6	62.7	77.7	36.8	40.3	44.3	48.8	50.8
6 Transportation and communication	124.3	145.1	167.7	195.7	223.0	94.4	103.1	110.3	120.6	127.2
7 Wholesale and retail sale	228.8	259.6	299.3	351.7	421.2	147.0	156.2	163.3	177.7	194.2
8 Banking, insurance and real estate	84.0	98.1	115.3	138.3	179.4	60.5	64.3	68.1	72.6	81.3
9 Ownership of dwellings	74.3	79.8	87.4	95.0	109.3	53.0	54.3	56.0	57.9	60.4
10 Public administration and defence	133.9	150.0	165.9	189.3	224.0	66.4	68.3	69.7	71.6	73.7
11 Other services	282.5	328.5	389.3	462.8	574.9	190.2	205.0	217.4	233.4	250.2
12 GDP at factor cost	1 860.6	2 082.2	2 360.5	2 770.9	3 311.6	1 391.8	1 472.9	1 551.4	1 676.2	1 812.0

Source: National Institute of Statistics.

Table A National Accounts
Billion pesetas

	1969	1970	1971	1972	1973
3 NATIONAL INCOME					
1 Compensation of employees	988.8	1 118.0	1 290.9	1 539.7	1 866.7
<i>of which:</i>					
Wages and salaries	868.6	985.1	1 131.3	1 330.0	1 603.6
Employers' contributions to social security	120.2	132.9	159.6	209.6	263.1
2 Income from property and entrepreneurship	573.1	617.3	680.4	789.5	929.0
3 Saving of corporations	75.1	85.0	97.7	120.0	132.9
4 Direct taxes on corporations	54.1	61.2	71.9	82.0	96.2
5 Government income from property and entrepreneurship	31.3	41.9	36.0	37.0	51.0
6 <i>less:</i> Interest of the public debt	14.6	15.9	16.5	19.0	25.6
7 NATIONAL INCOME	1 707.7	1 907.5	2 160.5	2 549.2	3 050.2

Source: National Institute of Statistics.

Table B Employment and Wages

		1972	1973	1974	1972				1973				1974				
					I	II	III	IV	I	II	III	IV	I	II	III	IV	
1 REGISTERED UNEMPLOYMENT (in thousands) END OF PERIOD																	
1	Agriculture and fishing	13.4	15.9	23.8	26.8	13.9	17.2	13.4	24.2	15.1	15.5	15.9	19.7	13.9	16.7	23.8	
2	Construction	57.4	38.9	70.8	83.4	68.9	57.6	57.4	55.4	48.2	44.7	38.9	41.5	43.6	51.1	70.8	
3	Industry and services	92.3	73.9	97.9	110.4	103.0	98.3	92.3	89.7	79.9	78.5	73.9	77.6	75.0	83.2	97.9	
4	Total	163.1	128.7	192.5	220.6	185.8	173.1	163.1	169.3	143.2	138.7	128.7	138.8	132.5	151.0	192.5	
2 STATISTICS FROM THE QUARTERLY LABOUR EARNINGS SURVEYS ¹																	
% change over the same period a year earlier																	
1	Average hourly earnings	17.0	19.7	26.6	15.1	14.9	19.5	18.5	18.2	20.0	19.1	21.0	24.0	25.7	28.7	27.9	
2	Total wage bill	16.2	19.4	28.5	14.5	15.8	16.1	18.1	17.2	19.0	18.4	22.4	26.4	28.0	31.4	28.2	

¹ These surveys cover about 2.9 million workers in the private non-farm sector out of a total of 6.7 million wage earners.

Sources: National Institute of Statistics, Monthly Bulletin, Quarterly Labour Earnings Surveys, Trade Union Organisation Industrial Production Statistics.

Table C Manpower
1 LABOUR FORCE AND EMPLOYMENT

	Thousands									Annual change in per cent			% shares
	1966	1967	1968	1969	1970	1971	1972	1973	1974	Average 1964- 1972	1973	1974	1974
A TOTAL LABOUR FORCE ¹	12 284	12 405	12 520	12 593	12 732	12 865	13 006	13 162	13 332	1.0	1.2	1.3	100.0
1 Agriculture	3 962	3 936	3 902	3 801	3 706	3 610	3 420	3 238	3 066	-2.6	-5.3	-5.3	23.0
2 Industry	3 415	3 434	3 474	3 561	3 650	3 719	3 554	3 575	3 618	1.1	0.6	1.2	27.1
3 Construction	1 011	1 049	1 074	1 092	1 096	1 107	1 187	1 266	1 336	3.0	6.7	5.5	10.1
4 Services	3 896	3 986	4 070	4 139	4 280	4 429	4 845	5 083	5 312	3.6	4.9	4.5	39.8
B ESTIMATED UNEMPLOYMENT	166	231	240	183	193	256	209	162	200	1.6 ²	1.2 ²	1.5 ²	
C TOTAL EMPLOYMENT (A—B)	12 118	12 174	12 280	12 410	12 539	12 609	12 797	13 000	13 132	0.9	1.6	1.0	100.0
1 Agriculture	3 911	3 868	3 850	3 754	3 662	3 553	3 388	3 211	3 036	-2.2	-0.7	-0.7	23.1
2 Industry	3 358	3 360	3 385	3 495	3 583	3 639	3 479	3 516	3 552	1.0	1.1	1.0	27.1
3 Construction	984	1 000	1 017	1 049	1 042	1 026	1 124	1 222	1 272	2.7	1.0	0.6	9.7
4 Services	3 865	3 946	4 028	4 112	4 252	4 391	4 806	5 051	5 272	3.5	5.1	4.4	40.1
D TOTAL WAGE AND SALARY EARNERS	7 561	7 607	7 733	7 903	8 066	8 172	8 614	8 747	8 985	2.1	1.5	2.7	100.0
1 Agriculture	1 143	1 107	1 091	1 061	1 046	998	995	956	901	-3.2	-0.5	-0.7	10.0
2 Industry	2 780	2 800	2 840	2 940	3 026	3 080	3 116	3 138	3 091	2.2	0.7	-1.5	34.4
3 Construction	878	891	907	939	931	915	990	1 048	1 106	2.6	5.9	5.5	12.3
4 Services	2 758	2 809	2 895	2 963	3 063	3 179	3 513	3 605	3 887	3.9	2.6	7.8	43.3

1 Including armed forces.

2 As percentage of total labour force.

NOTE From 1972 onwards, the consumer goods repairs are included in services (and not in industry as before).

Sources: National Institute of Statistics, Survey on Labour Force and Ministry of Labour.

Table C Manpower
2 EMIGRATION (in thousands)

	1967	1968	1969	1970	1971	1972	1973	1974
1 Departures to Europe	25.9	65.7	100.8	97.6	113.7	103.9	96.0	50.8
of which to: France	6.5	25.1	32.0	22.7	24.3	21.8	11.5	
Germany	3.4	23.6	42.8	40.7	30.3	23.3	27.9	
Switzerland	14.4	15.6	20.7	26.8	51.8	55.8	53.3	
2 Net emigration overseas	0.6	3.4	6.3	3.6	2.8	4.2	3.5	

Source: National Institute of Emigration.

Table D Public Sector Accounts
National accounts concepts

	1969	1970	1971	1972	1973
1 GENERAL GOVERNMENT (billion pesetas)					
1 Direct taxes	80.8	93.1	113.0	131.7	164.8
2 Indirect taxes	186.6	210.7	230.1	276.2	348.0
3 Social Security contributions	147.4	163.7	201.2	262.5	327.8
4 Other current receipts	48.7	60.1	58.2	68.4	82.2
5 Total current revenue	463.5	527.6	602.5	738.8	922.8
6 Current expenditure on goods and services	228.2	260.8	302.2	358.4	443.5
7 Current subsidies and transfers	137.3	170.2	218.0	251.7	313.6
8 Total current expenditure	365.5	431.0	520.2	610.1	757.1
9 Net current saving (5—8)	97.9	96.7	82.3	128.6	165.7
10 Capital account receipts	8.2	10.9	11.4	14.7	17.0
11 Less: Gross investment	59.2	69.0	92.6	91.7	101.2
12 Less: Capital transfers	34.4	30.5	25.7	33.5	35.7
13 Total capital expenditure	93.6	99.5	117.4	125.2	136.9
14 Overall financial surplus (+) or deficit (—)	+12.6	+8.0	-24.6	+18.1	+45.8
2 CENTRAL GOVERNMENT (billion pesetas)					
1 Fiscal revenue	250.4	283.4	320.1	381.6	481.8
2 From property and entrepreneurship	20.9	29.9	22.9	23.2	34.8
3 Current transfers	7.8	8.6	9.6	11.9	12.3
4 Fees, etc.	4.0	6.7	9.6	14.2	12.3
5 Total current revenue	283.1	328.6	362.1	430.9	541.2
6 Goods and services	130.2	144.8	162.7	186.0	224.7
7 Current transfers	49.8	70.5	79.9	85.4	97.1
8 Subsidies	24.6	27.5	41.1	44.6	54.8
9 Other	12.4	12.7	14.0	15.2	21.3
10 Total current expenditure	217.0	255.5	297.7	331.2	397.9
11 Saving (5—10)	66.2	73.1	64.4	99.7	143.3
12 Capital taxes	3.8	4.3	5.0	6.5	8.0
13 Capital transfers	—	0.1	—	0.1	—
14 Total capital resources (11 to 13)	70.0	77.5	69.5	106.3	151.3
15 Gross fixed capital formation	31.2	35.7	49.9	39.5	43.2
16 Capital transfers	39.0	36.3	42.0	56.7	62.1
17 Other	1.2	3.2	4.4	2.0	2.2
18 Total capital uses (15 to 17)	71.4	75.3	96.3	98.2	107.5
19 Overall financial surplus (+) or deficit (—) (14 — 18)	-1.4	+2.2	-26.8	+8.1	+43.8

Source: Ministry of Finance: Public Sector Accounts.

Table D Public Sector Accounts (*contd*)
National accounts concepts

	1969	1970	1971	1972	1973
3 LOCAL GOVERNMENT (billion pesetas)					
1 Fiscal revenue	13.3	16.7	19.4	21.2	24.2
2 From property and entrepreneurship	2.7	3.2	3.8	4.1	5.1
3 Current transfers	22.4	27.1	30.4	32.2	36.5
3.1 from Central Government budget	(22.2)	(26.9)	(30.3)	32.0	(36.3)
4 Other	3.5	2.1	1.7	2.4	3.1
5 Total current revenue (1 to 4)	41.9	49.0	55.3	59.9	68.9
6 Goods and services	28.2	34.2	40.0	41.5	47.4
7 Current transfers	1.7	2.2	2.4	2.7	3.3
8 Other	2.5	2.6	3.4	4.2	5.0
9 Total current expenditure (6 to 8)	32.4	39.1	45.8	48.4	55.7
10 Saving (5-9)	9.6	9.9	9.5	11.5	13.2
11 Capital taxes	3.9	6.1	6.3	8.2	9.0
12 Capital transfers	0.6	0.5	0.8	0.7	1.0
13 Total capital resources (10 to 12)	14.0	16.6	16.6	20.4	23.2
14 Gross fixed capital formation	15.0	13.4	17.3	21.8	26.6
15 Capital transfers	—	0.1	0.1	0.1	—
16 Other	0.5	0.9	1.7	1.2	1.5
17 Total capital uses (14 to 16)	15.5	14.4	19.1	23.1	28.1
18 Overall financial surplus (+) or deficit (—) (13 less 17)	-1.5	+2.2	-2.5	-2.7	-4.9
4 SOCIAL SECURITY INSTITUTIONS (billion pesetas)					
1 Social security contributions ¹	147.3	163.7	201.2	262.5	327.8
2 Transfers	8.5	9.0	15.1	19.6	23.4
3 Other current receipts	4.3	5.2	5.3	5.4	5.6
4 Total current receipts	160.2	178.0	221.6	287.5	356.8
5 Current expenditure on goods and services	41.6	53.7	67.1	94.1	124.9
6 Benefits ¹	94.1	108.6	143.3	172.6	219.2
7 Current subsidies and transfers	3.9	1.2	1.8	0.2	1.3
8 Total current expenditure	139.6	163.6	212.3	266.9	345.4
9 Net current saving ¹	20.6	14.4	9.3	20.6	11.4
10 Gross investment	2.5	5.6	6.2	7.9	9.2
11 Overall financial surplus (+) or deficit (—) ¹	+18.6 ²	+9.2 ³	+3.2	+12.7	+2.2

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

² Including 471 millions of capital transfers.

³ Including 377 millions of capital transfers.

Source: Ministry of Finance; Public Sector Accounts.

Table E Fiscal Receipts
Billion pesetas

	Actual					Forecast	
	1969	1970	1971	1972	1973	1974	1975
I DIRECT TAXES:							
1 Tax on income from agricultural property	0.9	1.2	1.6	1.7	1.6		
2 Tax on income from urban property	4.0	4.5	5.3	6.3	7.6		
3 Tax on salaries and professional earnings	17.1	21.4	27.4	34.7	49.0		
4 Tax on income from capital	7.3	8.6	10.5	11.8	14.5		
5 Corporation tax	25.2	27.3	31.7	37.2	45.8		
6 Tax on business licences and on personal profits	9.1	9.8	11.0	12.6	13.1		
7 Surtax on personal incomes	3.2	3.3	4.0	5.0	6.2		
8 Inheritance and estate tax	3.5	3.9	4.5	5.7	6.8		
9 Other	2.0	2.0	2.6	2.6	2.9		
TOTAL DIRECT TAXES	72.3	82.0	98.6	117.6	147.5	174.2	219.3
II INDIRECT TAXES:							
1 Custom duties and fiscal duties on imports	28.0	28.5	24.5	32.5	42.6		
2 General tax on expenditure ¹	50.8	59.7	68.9	78.7	92.3		
3 Luxury taxes	32.9	38.9	43.8	49.7	63.3		
4 Fiscal monopolies	23.4	23.4	21.8	26.6	35.2		
5 Transaction taxes and stamp duties	19.2	22.9	25.7	32.0	41.4		
6 Other	0.6	0.7	0.2	0.1	—		
TOTAL INDIRECT TAXES	154.9	174.1	184.9	219.7	274.8	311.2	355.0
TOTAL TAXES	227.2	256.1	283.5	337.3	422.3	485.4	574.3

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

Source: Ministry of Finance.

Table F Money and Credit
Billion pesetas

	1972				1973				1974				Out- standing as at 31 Dec. 1974
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
1 CONSOLIDATED ACCOUNT OF THE BANKING SYSTEM ¹ (quarterly changes)													
I Liabilities													
1 Money supply	-28.3	65.8	40.6	148.0	-17.0	85.9	42.1	151.8	-38.7	74.3	12.8	198.0	1 648.4
2 Quasi-money	75.5	70.2	84.4	107.2	96.2	104.7	127.1	125.9	97.9	94.0	109.1	157.5	2 753.5
3 Total	47.2	135.9	124.9	255.2	79.2	190.6	169.2	277.7	59.2	168.3	121.9	355.5	4 401.9
4 Bonds	2.1	-5.5	1.7	1.7	4.0	5.5	5.7	15.4	15.0	11.7	4.2	7.6	105.3
Liabilities = Assets	49.3	130.4	126.6	256.9	83.2	196.1	174.9	293.1	74.2	180.0	126.1	363.1	4 507.2
II Assets													
5 Public sector	26.5	-13.5	-5.3	16.8	15.8	-15.0	2.5	4.4	25.6	-5.2	20.8	4.1	355.3
(a) Net advances to	7.0	-24.1	-12.4	15.2	16.9	-13.6	0.7	1.7	18.2	1.9	38.8	24.1	183.2
(i) Central Government	-0.5	-18.6	-10.1	7.7	20.8	-14.7	-7.0	6.7	26.1	-8.6	16.4	30.7	92.1
(ii) Autonomous Institutions ²	7.5	-5.5	-2.3	7.5	-3.9	1.1	7.7	-5.0	-7.9	10.5	22.4	-6.6	91.0
(b) Purchase of Government bonds	23.1	12.7	10.2	10.7	2.1	4.4	6.7	14.7	14.1	4.6	-4.7	-5.4	519.8
(c) less: Grants to official credit institutions	-3.5	-1.8	-3.4	-9.1	-3.1	-5.8	-4.8	-12.0	-6.7	-11.7	-13.3	-14.6	-347.6
6 Private sector	28.6	126.1	103.5	196.8	115.9	188.2	158.2	238.9	138.8	219.7	156.6	343.4	4 077.3
(a) Advances and bills discounted ³	30.2	105.5	99.6	181.0	94.6	165.6	141.9	211.9	121.6	199.8	117.4	295.3	3 558.7
(b) Bonds and shares ⁴	-1.6	20.6	3.9	15.8	21.3	22.6	16.3	27.0	17.2	19.9	39.2	48.1	518.6
7 External sector	11.0	27.3	29.6	14.0	14.7	12.4	34.3	1.7	-23.3	-48.6	2.2	-53.0	205.9
8 Other assets and liabilities (net)	-16.8	-9.5	-1.2	29.3	-63.2	10.5	-20.1	48.1	-66.9	14.1	-53.5	68.6	-131.3

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

2 Including the Grain Agency.

3 Including the net interbank position.

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

Source: Bank of Spain.

Table F Money and Credit (Contd)

	1970	1971	1972	1973	1974
2 BANK LIQUIDITY					
<i>Changes, in billion pesetas:</i>					
1 Cash reserves	27.3	46.7	10.1	20.8	59.3
2 Central bank credit received	2.5	-37.9	10.2	1.0	75.1
3 Public securities	22.4	53.6	30.2	12.8	28.8
4 Private securities	6.4	9.0	17.1	29.8	42.4
<i>Ratios to deposits; end of period, per cent¹</i>					
1 Cash		9.3	8.1	7.4	8.1
2 Investment		20.6	21.4	20.3	21.2
3 Public securities		16.4	15.6	13.3	12.1
3 OFFICIAL CREDIT INSTITUTIONS (Changes, in billion pesetas)					
<i>Assets:</i>					
1 Cash	2.4	6.4	-1.9	0.3	-2.1
2 Credit to public sector ²	4.9	8.6	8.8	9.4	13.8
3 Credit to private sector ²	9.7	10.2	-5.4	17.4	48.7
<i>Assets = Liabilities:</i>	17.0	25.2	1.5	27.1	60.4
4 Transfers from the Treasury	15.7	20.5	17.7	25.5	45.9
5 Advances from the banking system	0.1	0.6	-4.8	—	—
6 Other (net) ³	1.2	4.1	-11.4	1.6	14.5
4 CAPITAL MARKET					
<i>Gross Issues (billion pesetas):</i>					
1 Public securities	35.5	76.5	64.8	25.1	
Treasury ⁴	22.3	68.1	47.5	12.1	27.6
INI	13.2	8.4	17.3	13.0	10.6 ³
2 Private securities	117.8	116.9	156.5	233.7	271.6
Bonds	51.5	43.7	70.4	120.2	129.7
Shares ⁵	66.2	72.9	86.1	113.5	141.9
3 Total	153.3	193.4	221.3	258.8	

1 Commercial banks only. The legal ratios fixed as from June 1971 for cash are 7.5 %; for investment and public securities they were in December 1974 respectively 22 % and 13 %.

2 Excluding short-term bills.

3 First nine months.

4 Excluding issues of paid-up shares.

Sources: Bank of Spain and National Institute of Statistics.

Table G Balance of Payments
Million dollars

	1969	1970	1971	1972	1973	1974
1 Imports (fob)	3 865	4 357	4 577	6 236	8 912	14 365
2 Exports (fob)	1 994	2 483	2 978	3 920	5 367	7 317
3 TRADE BALANCE	-1 871	-1 874	-1 599	-2 316	-3 545	-7 048
4 Foreign travel	1 195	1 543	1 878	2 230	2 878	2 807
5 Other services	-250	-249	-191	-209	-189	-127
6 Workers' remittances	400	467	548	599	913	860
7 Other private transfers	150	192	224	276	508	370
8 Official transfers	-18	—	-5	-9	-7	-8
9 Total services and transfers (4 to 8)	1 477	1 953	2 454	2 887	4 103	3 902
10 CURRENT BALANCE	-394	79	855	571	558	-3 146
11 Private long-term capital	482	698	601	934	814	1 500
12 Official long-term capital	24	-27	-103	-2	-46	54
13 Total long-term capital	506	671	498	932	768	1 554
14 BASIC BALANCE	112	750	1 353	1 503	1 326	-1 592
15 Short-term capital, errors and omissions	-343	66	-98	-135	231	822
16 MONETARY MOVEMENTS ¹ (increase in assets = —) of which:	230	-813	-1 257	-1 367	-1 555	752
17 Changes in reserves	261	-809	-1 358	-1 496	-1 207	780
18 IMF position	—	-45	-59	—	—	-21
19 Other official	4	-10	19	46	-30	9
20 Convertible peseta accounts	-35	51	142	83	-318	-10

1 Including the revaluation of reserves.

Source: Ministry of Commerce.

Table H Foreign Trade
Billion pesetas

	1970	1971	1972	1973	1974	1970	1971	1972	1972	1974
	1 IMPORTS					2 EXPORTS				
1 Agricultural and food products	53.3	62.3	73.7	98.6	139.5	60.1	64.9	70.1	90.6	101.1
2 Minerals	11.0	12.2	15.5	18.7	30.1	3.5	4.0	4.1	4.5	7.6
3 Oil products	44.1	57.0	63.1	72.9	225.5	9.2	8.8	8.9	14.3	27.7
4 Chemicals, plastics and rubber	41.1	43.5	54.7	69.2	103.7	12.3	15.6	18.1	22.9	43.3
5 Skins and leather	3.4	4.5	9.1	9.8	8.4	3.2	4.3	6.2	7.5	9.6
6 Wood and cork	7.0	7.5	9.1	15.6	20.2	3.4	4.0	4.7	5.3	6.9
7 Pulp, paper and books	8.9	8.6	11.3	13.2	20.2	5.9	7.5	9.4	10.1	15.1
8 Raw cotton, textiles and clothing	13.9	14.4	18.9	24.4	31.8	8.7	11.2	15.4	16.6	22.5
9 Glass and pottery	3.3	3.4	4.8	6.9	8.7	2.5	3.9	4.4	5.4	8.1
10 Metals and metal products	47.3	34.3	39.7	50.7	78.4	13.4	19.0	24.4	32.2	38.0
11 Machinery and appliances	66.7	70.3	90.8	116.5	142.5	17.1	22.5	23.9	29.2	44.9
12 Transport equipment	16.0	10.9	21.5	31.9	37.2	15.3	20.9	29.0	35.7	45.5
of which: Cars, lorries and tractors	7.8	7.3	11.3	17.2	19.5	5.3	8.4	10.1	16.7	21.0
Aircraft (imports)										
Ships (exports)	6.0	1.2	8.1	11.7	11.8	8.7	10.5	16.7	16.1	22.6
13 Other	16.3	18.5	25.4	33.1	42.5	12.5	19.0	26.6	28.4	37.7
14 Total	332.2	347.4	437.6	561.5	888.7	167.1	205.6	245.2	302.7	408.0
15 Total less agricultural and food products	279.0	285.1	363.9	462.9	749.2	107.0	140.7	175.1	212.1	306.9

Source: Customs office.

Table H Foreign Trade (Contd)
3 EXPORTS BY GROUPS OF PRODUCTS AND DESTINATION
Billion pesetas

	To OECD countries			To Non-OECD countries ¹			General total
	Agr. prod. ¹	Other	Total	Agr. prod. ¹	Other	Total	
1969	36.1	54.5	90.6	8.1	34.3	42.4	133.0
1970	48.8	70.6	119.4	9.8	37.8	47.6	167.0
1971	54.3	97.4	151.7	9.0	44.9	53.9	205.6
1972	58.5	122.8	181.3	10.0	53.9	63.9	245.2
1973	74.4	147.9	222.3	14.4	65.9	80.3	302.7
1974	81.3	210.8	292.1	16.7	99.2	115.9	408.0
1972 I	18.0	29.7	47.7	2.5	13.6	16.1	63.8
II	12.5	30.5	43.0	2.2	14.6	16.8	59.8
III	9.7	29.7	39.4	2.4	12.1	14.5	53.9
IV	18.3	32.9	51.2	2.7	13.6	16.5	67.7
1973 I	21.6	36.2	57.8	3.4	14.3	17.7	75.5
II	17.4	35.6	53.0	3.7	15.9	19.6	72.6
III	15.9	34.7	50.6	3.9	17.9	21.8	72.4
IV	19.5	41.4	60.9	3.4	17.9	21.3	82.2
1974 I	22.2	47.0	69.2	2.6	19.9	22.5	91.7
II	17.5	53.5	71.0	4.2	25.6	29.8	100.8
III	11.5	48.7	60.2	4.6	24.5	29.1	89.3
IV	30.1	61.6	91.7	5.3	29.2	34.5	126.2

1 SITC sections 0.1 and 4.

2 Including unspecified.

Source: Customs Office.

Table I Official Foreign Reserves
 Million dollars

	1970		1971		1972		1973		1974	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
1 Gold	784	498	498	498	541	541	542	602	602	602
2 Convertible currency	510	1 159	1 625	2 480	3 305	4 138	4 826	5 764	5 170	5 042
3 Net IMF position	4	45	104	104	113	113	113	125	125	146
4 Special drawing rights	42	44	81	87	140	140	140	155	156	162
5 Total foreign assets	1 340	1 746	2 308	3 169	4 099	4 932	5 621	6 646	6 053	5 952
6 less: Foreign liabilities	333	87	44	17	9	9	3	4	6	8
7 Official foreign reserves	1 007	1 659	2 264	3 152	4 090	4 923	5 618	6 642	6 047	5 944
Pro memoria										
Non convertible currencies (net)	81	63	42	42	18	1	43	32	40	23

Source : Bank of Spain.

INTERNATIONAL COMPARISONS

BASIC STATISTICS : INTERNATIONAL COMPARISONS

			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																													
Net average annual increase			Mid-1973 1963 to 1973	Thousands %	13 132 1.87	7 521 0.48	9 742 0.48	22 125 1.55	5 027 0.71	4 643 ² 0.26	52 177 0.88	61 967 0.77	8 972 0.57	212 1.37	3 051 0.68	54 888 ³ 0.70	108 350 ⁴ 1.22	350 0.77	13 438 1.17	2 932 1.46	3 961 0.77	8 564 -0.46	34 730 1.06	8 138 0.68	6 431 1.09	37 930 2.49	56 026 0.43	210 404 1.07	20 960 0.95
EMPLOYMENT	Total civilian	1973	Thousands	5 640	3 039	3 818	8 759	2 385	2 153	20 953	26 202	(3 320)	(88)	1 042	18 310	52 330	154	4 564	1 137	1 654	(3 109)	12 844	3 879	3 097	13 810	24 553	84 409	8 009 ^{5 10}	
	Agriculture		% of total	7.2	16.1	3.9	6.5	9.5	17.1	12.2	7.5	(34.1)	(15.9)	25.1	17.4	13.4	9.0	6.8	12.1	11.4	(28.8)	26.5	7.1	(7.3)	63.4	3.0	4.1	49.5	
	Industry ⁶		% of total	35.5	40.1	43.3	31.3	33.8	35.7	39.3	49.5	(25.7)	(37.5)	30.7	44.0	37.2	48.6	36.2	34.7	33.9	(33.8)	38.0	36.8	(46.2)	15.1	42.3	31.7	50.5	
Other			% of total	57.3	43.8	52.8	62.2	56.7	47.1	48.5	43.0	(40.2)	(46.6)	44.2	38.6	49.4	42.4	57.1	53.2	54.7	(37.4)	35.5	56.1	(46.5)	21.5	54.7	64.2	50.5	
PRODUCTION	GDP ⁷ per head	1973	\$ ⁸	4 900	3 550	4 650	5 410	5 460	3 720	4 900	5 610	1 790	4 870	2 130 ¹³	2 510	3 760	5 200	4 410 ¹³	4 080 ^{9a}	4 780	1 250	1 750	6 140	6 190	540	3 100	6 170	792 ¹³	
	GDP by sector:	1973	% of total	7.1 ^{9 10 11}	5.8	3.9	5.2 ¹¹	8.2 ¹¹	12.0	6.3	2.9	20.4 ¹¹	..	18.0 ^{11 13}	8.8	5.9	4.4 ^{11 12}	5.3 ^{11 13}	18.8 ¹²	5.6	16.3 ¹¹	12.7 ¹¹	3.8	..	26.1	3.0 ¹¹	4.4	16.6 ^{11 13}	
	Industry		% of total	41.4 ^{9 10 11}	50.1	40.1	36.2 ¹¹	39.9 ¹¹	44.2	93.7	52.1	32.4 ¹¹	..	33.8 ^{11 13}	41.2	48.3	57.5 ^{11 12}	44.9 ^{11 13}	28.0 ¹²	33.4	43.2 ¹¹	35.5 ¹¹	36.6	..	28.8	42.4 ¹¹	33.9	46.6 ^{11 13}	
Other			% of total	51.5 ^{9 10 11}	44.1	56.1	58.6 ¹¹	51.9 ¹¹	43.8	..	47.2 ¹¹	..	48.2 ^{11 13}	50.0	45.9	38.1 ^{11 12}	49.8 ^{11 13}	53.2 ¹²	61.0	40.6 ¹¹	51.8 ¹¹	59.6	..	45.1	54.6 ¹¹	61.7	36.8 ^{11 13}		
GDP ^{7 14} annual volume growth	1973	%	5.6	5.5	5.4	6.8	3.9	6.0	6.0	5.3	9.4	6.2	7.2	6.4	11.0	7.5	4.2	4.8 ^{9a}	3.7	7.6	7.4	3.3	3.5	4.6	5.3	5.9	..		
	1968 to 1973	%	5.1	6.4	5.5	5.2	4.7	6.8	6.0	5.1	8.9	6.3	4.6	4.3	9.5	5.2	5.3	3.1 ^{9a}	4.5	6.4	7.0	3.2	4.6	6.2	2.8	3.6	..		
INDICATORS OF LIVING STANDARDS																													
Private consumption per head	1973	\$	2 850	1 870	2 810	3 080	3 050	1 910	2 913	3 000	1 200	2 990	1 370	1 620	1 910	2 780	2 430	2 410 ^{9a}	2 530	900	1 170	3 240	3 640	320	1 960	3 840	425 ¹³		
	1970	% of GNP	4.3	4.7	5.4 ¹⁵	8.6	7.0	6.3	4.7	4.0	2.2	4.3	4.8 ¹⁵	4.3	4.1	4.4	7.3 ¹⁵	4.4 ¹⁵	5.9	2.0	2.4	7.8	4.2	2.9	5.5 ¹⁵	5.4 ¹⁵	4.3 ¹⁵		
	1972	% of GNP	11.1	6.4	5.4 ¹⁷	10.6	10.0	10.8	10.5	10.7	14.0 ¹⁰	9.0	6.9	4.7	16.8 ¹⁷	5.3 ¹²	11.4	9.3	11.1	3.4	9.6	12.8	11.5	2.8	6.1	11.3	6.4		
	1971	% of GNP	314	177	212	321	231	163	260	239	30	222	140	209	100	296	211	324	206	72	81	290	233	4 ¹⁸	219	443	42		
	1972	Number	227	226	236	349 ¹⁰	282	256	237	293	31 ¹⁰	220	173	202	225	220 ¹⁰	243 ¹⁰	250	241	63	145	333	239	4	305	474	113		
	1972	Number	340	226	240	499	377	295	199	268	160	370	114	206	315	361	299	458	320	99	164	576	535	19	314	628	44		
	1971	Number	1.25	1.87	1.60	1.50	1.41 ¹⁸	1.11	1.38	1.71 ¹⁸	1.67	1.44	1.09 ¹⁵	1.83	1.15	1.07	1.31	1.16	1.45	0.98	1.39	1.36 ¹²	1.67	0.45	1.29	1.57 ¹³	1.06		
GROSS FIXED INVESTMENT ¹⁴ Total	1968-72 average	% of GDP ⁷	25.8 ⁹	29.0	20.8	21.4 ¹⁸	23.6	24.1	26.3	25.9	25.7 ¹⁹	28.7	24.2	19.8	38.7	23.6	25.3	..	..	19.0	24.2	23.1	27.8 ²⁰	16.9 ²¹	19.6	17.0 ²²	..
	Machinery and equipment	% of GDP ⁷	10.9	12.5	8.8	7.9	12.1	8.9	12.0	12.4	8.2	8.6	12.2	8.4	32.1 ²³	..	10.5	..	..	8.8	12.8	8.6	9.5	5.8	9.5	7.0 ²³	..
	Residential construction	% of GDP ⁷	5.2	16.5 ²⁴	4.7	4.4	4.6	5.8	6.5	5.2	8.0	5.3	4.3	5.9	6.6	..	5.7	..	..	2.7	3.7	5.0	7.1	3.3	3.5	3.5	..
	Other construction	% of GDP ⁷	9.7	— ²⁴	7.3	9.1	6.9	9.4	7.8	8.3 ²⁵	9.5	14.8	7.7	5.5	— ²³	..	9.1	..	..	7.5	7.7	9.5	11.2	7.8	6.6	6.5	..
GROSS SAVING	1968-72 average	% of GDP ⁷	25.9	29.3	24.9	22.3	19.1	29.8	26.8	27.5	23.8	..	20.8	22.9	39.3	31.3	26.9	24.9 ^{9a}	27.8	22.0	23.1	22.8	28.9 ²⁰	21.5 ²¹	19.2	17.5	..		
PUBLIC SECTOR ²⁶ Total current revenue	1973	% of GDP ⁷	28.2 ¹³	36.6	35.8 ¹³	36.2	44.8	39.0	38.0 ¹³	41.0	26.6 ¹³	33.2 ¹⁶	33.7 ¹⁸	33.3	22.4	39.1 ¹³	49.9	..	49.4	23.0	23.4 ¹³	50.1 ¹³	27.1 ¹⁵	27.5 ¹³	37.9 ¹³	30.2	..		
WAGES/PRICES	Hourly earnings ²⁷	Annual increase 1967 to 1972	%	7.6 ^{28 29}	9.3 ³⁰	10.2	8.2 ²⁸	12.4 ³¹	11.8	11.3 ³²	9.3 ²⁸	8.3 ²⁸	18.3 ³³	13.5 ²⁸	11.2 ³⁴	15.6 ³⁵	..	10.4 ³⁶	10.3 ²⁸	10.0 ³¹	10.2 ³⁷	12.6 ³⁸	9.9 ³⁹	6.5 ⁴⁰	12.8 ³⁸	9.6 ⁴¹	6.0 ⁴²	16.1 ^{37 38}	
	Consumer prices		%	4.2	4.3	4.0	3.9	6.2	5.5	5.6	3.8	2.6	13.3	7.6	3.9	5.8	3.9	6.2	6.5	6.1	8.6	5.8	5.0	4.3	10.5	6.6	4.6	11.3	
	GDP ⁷ deflator		%	5.8	4.4	4.6	4.0	6.4	6.5	5.5	5.2	2.9	17.2	9.3	5.0	4.8	5.9	6.6	6.9 ^{9a}	..	4.3	6.0	5.2	6.0	10.5	6.6	4.4	..	
FOREIGN TRADE	Imports ⁴³	1972	\$ million ⁸	6 180	6 290	14 570	23 130	6 080	3 680	32 070	51 150	2 530	300	2 240	23 600	24 910	1 050	20 100	1 980	5 810	2 630	7 250	9 590	9 710	1 400 ¹⁰	33 620	74 830	3 820	
		% of GDP ⁷	13.2	30.9	40.9	21.8	28.6	27.4	16.4	19.9	20.7	39.5	40.6	20.1	8.5	77.8	43.4	23.1	38.3	32.2	16.2	23.2	32.6	10.9	21.8	6.3	23.2		
	Exports ⁴³		\$ million ⁸	7 500	6 220	15 430	23 750	6 240	3 700	33 760	55 730	1 470	290</																

- 1 National source.
2 Does not include total net migration between Finland and the other Nordic countries.
3 Total resident population.
4 From 1972, including Okinawa prefecture.
5 Private and socialised sector.
6 According to the definition used in OECD Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
7 GDP in purchasers' values.
8 At current prices and exchange rates.
9 Fiscal year-Beginning July 1st.
9a Fiscal year-Beginning April 1st.
10 1971.
11 GDP at factor cost.
12 1970.
13 1972.
14 At constant (1970) prices.
15 1969.
16 1968.
17 Dwellings started.
18 Excluding transfer costs of land and existing assets.
19 Excluding ships operating overseas.
20 1965-1969.
21 1967-1971.
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