

OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

SPAIN

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

MAY 1976

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) 1973	350.1	inhabitants:	
		Madrid	3 146
		Barcelona	1 745
		Valencia	654
		Sevilla	548

THE PEOPLE

Population, 1.7.75, thousands	35 219	Civilian employment, 1974, thousands:	12 860
Number of inhabitants per sq. km	70	Agriculture	2 968
Net natural increase (1974, thousands)	387	Industry	4 785
Net migration (1974, thousands)	- 95	of which: Construction	1 260
		Services	5 107

PRODUCTION

Gross domestic product, 1975 (billion pesetas)	5 800	Gross domestic product at factor cost by origin, in 1975 (percentages):	
GDP per head, 1975 (US \$)	2 865	Agriculture	9
Gross fixed investment (1975): per cent of GDP	26	Industry and construction	39
per head (US \$)	735	Services	52

THE GOVERNMENT

Public consumption, in 1975 (percentage of GDP)	9	Fiscal revenue of general government, in 1974 (percentage of GDP)	12
Total capital expenditure of general government in 1974 (percentage of total investment)	14	Internal public debt (percentage of general government current revenue) 1.1.1974	82

FOREIGN TRADE

Exports of goods and services, 1975 (billion US \$)	13	Imports of goods and services, 1975 (billion US \$)	18
Exports of goods and services as a percentage of GDP (average 1974-75)	14	Imports of goods and services as a percentage of GDP (average 1974-75)	19
Exports of goods as percentage of total exports (average 1974-75)	57	Imports (average 1974-75), percentage of imports of goods:	
Exports (average 1974-75), percentage of exports of goods:		Foodstuffs	13
Foodstuffs	23	Fuel, raw materials and semi-finished products	59
Raw materials and semi-finished products	31	Capital goods	21
Capital goods	21	Consumers' manufactures	7
Consumers' goods	25		

THE CURRENCY

Monetary unit: Peseta		Currency units per US \$, average of daily figures:	
		Year 1975	57.40
		April 1976	67.28

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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* * *

*The annual review of Spain
by the OECD Economic and Development Review Committee
took place on 27th April, 1976.
The present Survey has been updated subsequently.*

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CONTENTS

Introduction	5
I Recent trends	5
Demand developments	6
Supply	8
Employment	10
Incomes and Prices	12
II The balance of payments	16
Current balance	16
Capital Movements	20
III Economic policy	21
General features of economic policy in the present phase of the cycle	21
Fiscal policy	22
Monetary policy	25
Other economic policy measures	29
IV Short-term prospects, problems and economic policy conclusions	30
Short-term prospects	30
Some medium-term issues	33
Economic policy conclusions	36

Annexes

Technical annex	39
Statistical annex	44

TABLES

TEXT :

1 Demand and output	6
2 Labour market	11
3 Wages	13
4 Prices	15
5 Foreign trade by area	18
6 Balance of payments	18
7 Central Government	23-24
8 Monetary indicators	26
9 Forecasts for 1976	32
10 Exports and current deficit	34

TECHNICAL ANNEX:

A1	Current balance in 1980 : hypotheses concerning invisibles and prices	39
A2	Current balance as a percentage of GDP in 1980	40
A3	Employment and productivity	40
A4	Growth and employment	41

STATISTICAL ANNEX:

A	National accounts	44
B	Employment and wages	45
C	Manpower	46
D	Public sector accounts	46-47
E	Fiscal receipts	48
F	Money and credit	49-50
G	Balance of payments	51
H	Foreign trade	52-53
I	Official foreign reserves	54

DIAGRAMS

1	Indicators of economic activity	7
2	Industrial output	9
3	Employment and activity	11
4	Consumer prices	14
5	Foreign trade	17
6	Balance of payments	19
7	Foreign exchange market	21
8	Main counterparts of the monetary base and money supply	27
9	Interest rates	28

INTRODUCTION

The Spanish economy was hit relatively late by the recession which affected most OECD countries in 1974-75. This cyclical lag can be explained largely by the strength of the growth phase that was developing at the time of the oil crisis, but also by an economic policy which gave priority to expansion and maintenance of full employment at the cost of rapid inflation and a marked deterioration in the foreign balance. In April 1975, however, the dangers of a fresh upsurge in prices and wages and a further widening of the foreign deficit caused the Spanish authorities to make their policy more restrictive although the element of restrictiveness was to remain moderate and selective.

As a result of this shift in economic policy and the deepening of the international recession, the Spanish economy registered a fall in domestic activity in the first half of 1975; this was followed in the second half of the year by a recovery, the scale of which is difficult to gauge. The employment situation deteriorated significantly, owing both to the downturn in domestic activity and to the sharp fall in emigration, probably to the point where there was a net return flow. Inflationary pressure eased somewhat in 1975, especially in the second half of the year. In annual terms, however, the rise in prices and wages was considerable. Despite the stagnation of activity, the current deficit remained large and even increased somewhat. To try to reduce this deficit, the national authorities decided on 9th February, 1976 to change the limits of Central Bank intervention on the foreign exchange market, which caused the peseta to depreciate by approximately 10 per cent.

Part I of the survey reviews the recent trends in domestic activity: demand and output, employment, prices and wages. Part II deals with the developments in the balance of payments. Economic policy over the last 18 months is analysed in Part III, while the last section discusses the short-term outlook, presents various problems related to the medium-term, and outlines various problems of economic policy.

I RECENT TRENDS

By comparison with the experience of other Member countries, the Spanish economy weathered both the oil crisis and the after-shock of the world recession, reasonably well: in 1974 Spain recorded one of the highest rates of GDP growth¹ of any country in the area (5 per cent) and in 1975 it was one of the few countries not to register a year-on-year fall in activity. Nevertheless, 1975 was probably the worst year Spain has had, in terms of declining activity and rising unemployment, since 1959, when growth was nil. Moreover, the small year-on-year growth of GDP (0.8 per cent) actually represents a significant decline in production in the first

1 In 1975 the Spanish national accounting system was brought into line with the system used by the European Economic Community and the base year was changed (from 1963 to 1970). The figures for the last few years are, therefore, not entirely comparable with those prior to 1970. Furthermore, when the system was changed, the absolute levels of the aggregates were adjusted: thus GDP for 1974 was revised upwards by 17 per cent from the previous estimate.

half of 1975 and an upturn in the second half-year. The recession was accompanied by a marked deterioration in employment, accentuated by the fact that net emigration came to a halt, and probably even a net return flow developed. Finally, it should be noted that despite declining activity and rising unemployment, prices and wages continued to climb steadily.

Demand developments

It is difficult to establish with any degree of accuracy a time profile during 1975 for major demand components that would be consistent with available indicators. In 1975, public consumption, although distinctly more sluggish than in previous years² was the mainstay of demand with a growth of 3.7 per cent in volume terms. The slowdown of private consumption by comparison with the medium-term trend was more marked³. Not only did personal income rise less rapidly than in the past, but also its erosion by price inflation was greater on average in 1975 than in 1974. In particular, the loss of purchasing power of household income from property and entrepreneurship, already appreciable in 1974, was a good deal more marked in 1975. At the same time, tax pressure increased, accounting for 13 per cent of household incomes (including contributions to social security) in 1975 compared with 10.4 per cent at the beginning of the decade. Overall, real personal disposable income showed virtually no change. Consequently, the growth of private consumption was accompanied for the second year running by a fall in the savings ratio; contrary to experience in other countries, Spanish households did not build up their financial assets.

Table 1 Demand and output

	1974		Percentage change - volume		
	Billion pesetas	Percentage of GDP	1973	1974	1975 ¹
Private consumption	3 360	68.1	7.6	5.8	2.1
Public consumption	470	9.5	8.0	6.0	3.7
Gross fixed investment	1 231	24.9	14.3	4.4	-3.4 ³
— Construction	776	15.7	11.3	5.7	-2.5
— Capital equipment	455	9.3	18.7	2.7	-4.5 ⁴
Change in stocks ⁴	132	2.7	(0.3)	(0.7)	
Total domestic demand	5 193	105.2	8.9	6.0	0.8
Foreign balance ²	-259	-5.2	(-0.9)	(-1.0)	(—)
GDP at market prices	4 934	100.0	8.4	5.0	0.8
GDP price deflator			11.5	13.8	16.5
Consumer prices			11.1	16.0	17.0
GDP at factor cost	4 696	100.0	8.8	5.0	0.8
— Agriculture	461	9.8	4.0	1.6	1.5
— Industry	1 479	31.5	10.8	5.7	-2.3
— Construction	432	9.2	8.5	4.9	-1.6
— Services	2 324	49.5	8.7	5.3	3.0

1 Estimates.

2 Change as a percentage of GDP in the previous period.

3 Gross fixed investment.

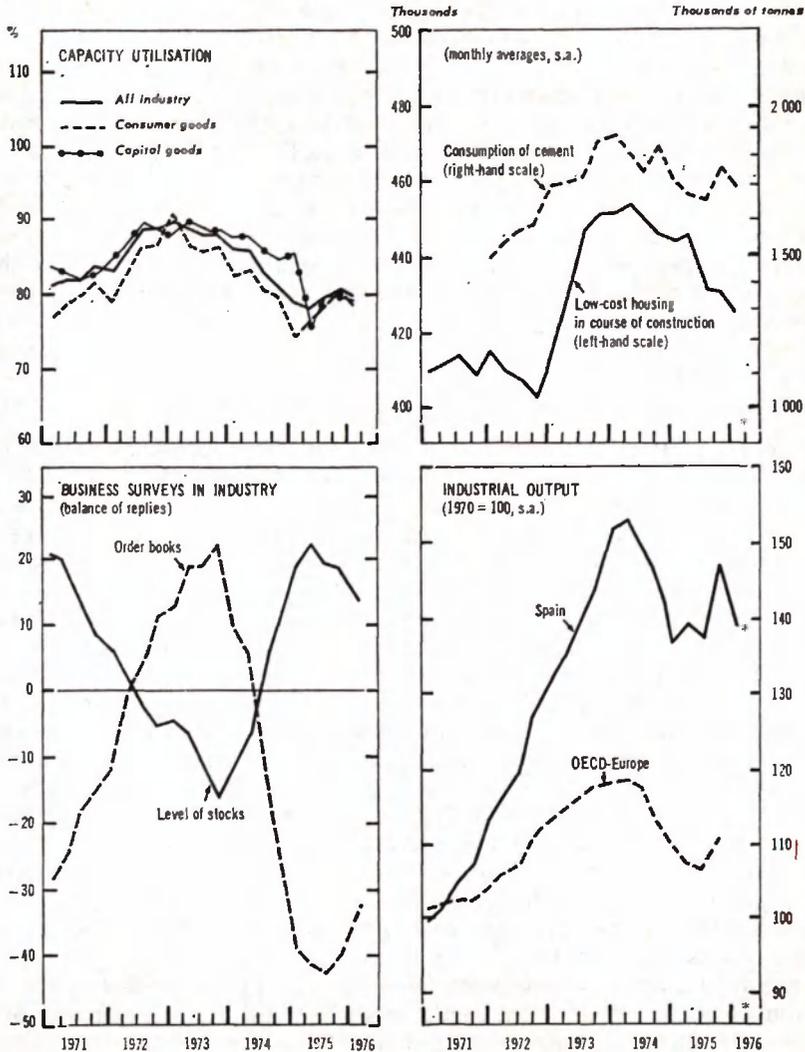
4 Including change in stocks.

Source: INE (National Statistics Institute).

2 6 per cent on average from 1970 to 1974.

3 2.1 per cent in 1975, compared with 5.8 per cent in 1974 and an average of 6.6 per cent from 1970 to 1974.

Diagram 1 Indicators of economic activity



* January-February. Level affected by strikes.

Sources: Bank of Spain, Statistical Bulletin; Ministry of Industry, Surveys of current trends; OECD, Main Economic Indicators.

Investment demand showed a negative swing. The fall in capacity utilisation rates, worsening sales prospects and the political uncertainties caused a fall in investment (including inventory formation)⁴ estimated at 4.5 per cent by the National Statistics Institute. The weakness of productive investment is confirmed by the trend in imports of capital goods, which fell by about 2 per cent in volume terms. Furthermore, the decline in tourism, the stagnation of households' real incomes and the steep rise in construction prices weighed heavily on investment in building, which decreased by 2.5 per cent in real terms. Even then, the public sector had

⁴ The figures for 1975 published by the National Statistics Institute do not separate stock-building from gross fixed asset formation.

provided considerable support to activity, since government spending on investment rose by 20 per cent in money terms (about 5 to 6 per cent in real terms).

All in all, demand showed a fall in the first half of 1975, followed by an upturn in the second. The downturn in the first half-year is mainly attributable to the fall in gross fixed investment and to a lesser extent to the decline in the volume of exports. The recovery in the second half-year was probably due to a revival of exports and to stronger consumer demand than in the first part of the year. The data available on stockbuilding differ. The business surveys show that the level of stocks of finished products was well above normal in the first half of 1975 and then fell somewhat in the second half of the year. On the other hand, imports of non-oil basic products and of intermediate goods apparently fell back sharply in volume terms⁵ during the first half of the year before returning to the previous year's level in the second half.

Supply

Where *supply* is concerned, most of the available information relates to the industrial sector. The index of industrial output followed a fairly irregular path in 1974-75. After again rising very sharply in late 1973 and early 1974, the index levelled off in the second quarter and then declined until the first quarter of 1975, when it stood 11 per cent lower than in the first quarter of 1974. Subsequently⁶, the index followed a rather erratic course before returning in December 1975 to its level of twelve months earlier, the first time in a year that it had done so. However, this movement may have been interrupted by the strikes which took place early in 1976⁷. Year-on-year, the fall in the index was nearly 8 per cent in 1975, compared with a rise of 9 per cent in 1974. However, the index probably exaggerates both upward and downward movements⁸ and, according to the Spanish estimates, the decline in value-added by industry was only 2.5 per cent. The downturn in activity was accompanied by a widening of spare capacity margins until the middle of the year: in the second quarter of 1975, 22 per cent⁹ of capacity in industry lay idle. This rate is close to that reached in the recession of 1967-68; but installed capacity has been considerably expanded since then, notably by the flood of investment that occurred in 1972-73. In the second half of the year, capacity utilisation picked up progressively, order books improved slightly towards the year's end and stocks of finished goods began to fall.

Trends in individual sectors were fairly mixed. From the first half of 1974, production of consumer durables began to decline and at the beginning of 1975 was 20 per cent down from the previous year's level, although the automobile industry continued to fare quite well, partly because of its increased exports. In that sector, the trough of the recession appears to have been reached in the first half of 1975, and the index showed an appreciable upswing in the second half of the year. On the other hand, the crisis took longer to reach the capital goods sector, where the downturn seems to have occurred towards the end of 1974, and the basic metals

5 Prices of goods in these categories have fluctuated a great deal recently, so that any estimate in volume terms should be interpreted with particular caution.

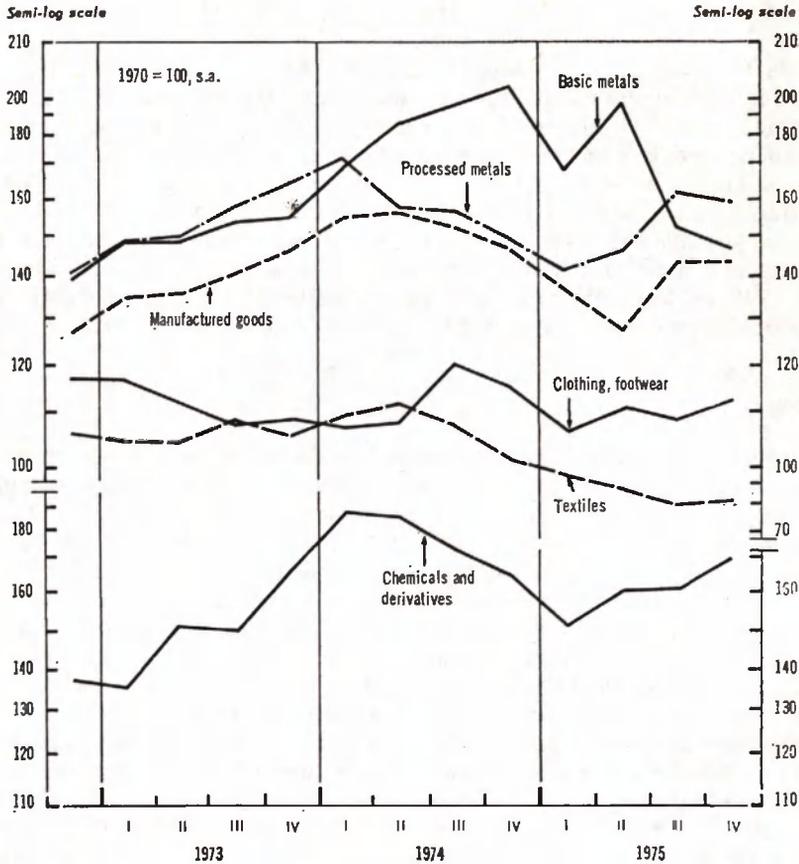
6 In the second quarter, the index showed a marked upturn which proved short-lived and might have been caused by an overadjustment of production in the previous months to the slowdown in demand.

7 During January and February, as many working hours were lost through strikes as during the whole of 1975.

8 The base year of the index is 1962. The articles covered by the index represented at that time about 70 per cent of net domestic product in the industrial sector. The changes made in Spain's capital stock since 1962 would imply that the index is no longer very representative. A new index is being prepared, moreover.

9 Up until 1972 the capacity utilisation rate averaged about 84 per cent.

Diagram 2 Industrial output



Source: INE, Supplement to the Monthly Bulletin of Statistics.

industry, where production remained at a high level until the middle of 1975. Consequently, given the weakness of demand in the first half of 1975, enterprises in this sector built up large stocks (notably of iron and steel products); these were run down in the second half of the year, chiefly as a result of the pickup in exports.

The downturn in construction did not begin until the early part of 1975 but continued throughout the year. The index of "apparent investment"¹⁰ in this sector fell by 8 per cent from January to November compared with the same period in the previous year, and the index of cement consumption by over 10 per cent. However, the indicators of consumption of intermediate goods probably exaggerate the impact of the crisis. For instance, although the business surveys indicate that residential construction was hardest hit by the recession, the number of subsidised housing units under construction fell by only 2.5 per cent. In view of the trend in new contracts in 1975, the level of activity is liable to remain depressed in 1976, despite the housing support measures which were taken in November 1975. These provide for a three-year programme (1976-78) of residential construction (subsidised housing and construction in high-unemployment areas) costing 100 billion pesetas, half of which is to be financed out of budget funds and half by official credit and by the Banco Hipotecario de Espana. This programme would appear to have produced

¹⁰ Trade Ministry index based on the output of certain building materials.

its first effects in the form of an upturn in applications for credit at the beginning of 1976.

Little information is available about the other sectors of production. For agriculture, forestry and fishing, the year was less satisfactory than had been hoped and output, as in 1974, increased by no more than 1.5 per cent, despite an upturn in the fisheries sector, which had been very hard hit in 1974 by the rise in oil prices. Output in the service sector increased by 3 per cent according to the estimates of the National Statistics Institute, a relatively strong performance given the downturn in industry and the fall in foreign tourism. Department store sales, one of the few indicators available for the distribution sector, rose by only 16 per cent in money terms in 1975 (i.e. less rapidly than prices). Nevertheless, the growth of employment in services suggests that output in this sector continued to increase.

Employment

The decline in activity was accompanied by a deterioration of the labour market, the scale of which is difficult to assess in view of the discrepancies in Spanish employment statistics¹¹. The various indicators do nonetheless show that the overall level of employment was steady in 1974 but deteriorated rapidly at the beginning of 1975, when a nation-wide standstill in recruiting and continuing difficulties over emigration combined to bring about a rapid rise in unemployment from the beginning of 1974 onwards. As in other countries, the falling-off in activity affected working hours more than numbers employed. From mid-1973 onwards there was a reduction in the number of hours worked in industry, whereas the number of wage-earners continued to rise. Businessmen were probably trying at that time to rationalise their methods of production in the face of a sharp rise in wages¹². This movement intensified from the summer of 1974 onwards as the level of economic activity began to decline. This was accompanied by a steady though limited decline in the number of wage-earners amounting to -0.7 per cent¹³ in 1975 compared with 1974, the lowest point compared with the corresponding period in the previous year occurring in the summer (-1.5 per cent). The survey of the active population confirms, so far as total employment is concerned, the decline in the number of workers in the first half of 1975 compared with the same period of 1974, but shows some recovery in the second half-year. The fall in the number of hours worked is much greater, amounting to nearly 8 per cent year-on-year in 1975 despite some recovery in the fourth quarter. The construction sector was not affected until the end of 1974, but the decline in employment was much more rapid, and in this sector, as distinct from industry, it seems to have affected the number of wage-earners as much as working hours: in the second quarter of 1975 the number of wage-earners and the number of hours worked were both 8 per cent below previous year levels. In the summer, whereas hours worked did not decline much, employment fell back again, as was confirmed by the results of the survey of the active population for the second half-year. Finally, dependent employment in service industries seems to have been affected but little by the level of activity, although the survey of the active

11 The are three main series of indicators: the INE quarterly surveys of the working population, the INE quarterly surveys on earnings and the monthly indices prepared by the statistical service of the "sindicatos", which relate to dependent employment in industry and the number of hours worked by blue-collar personnel.

12 It must be remembered that it is difficult for institutional reasons to dismiss workers in Spain.

13 According to the monthly index of the statistical service of the "sindicatos". The INE wages survey shows a comparable trend but with a sharper fall in the second quarter. The results of the wages survey for the fourth quarter are not yet available.

Table 2 Labour market

	1974		1975		1976
	S I	S II	S I	S II	Q I ⁵
	<i>Thousands¹</i>				
Labour force	13 306	13 386	13 328	13 325	13 342
Total employment	12 948	12 955	12 849	12 732	12 628
Unemployment					
— (labour force survey)	358	431	479	593	621
— "estimated unemployment"	165	200	289	336	415
Emigration ⁵	45.2	5.6	18.4	2.2	
	<i>Percentage change on corresponding period in previous year</i>				
Dependent employment					
— industry	2.7	0.7	-1.7	-4.1 ⁵	
— construction	4.8	6.9	-3.0	-1.9 ⁵	
— services	5.4	5.8	8.4	1.8 ⁵	
Number of hours worked in industry ⁴	-2.0	-5.2	-7.6	-8.1	

1 Monthly averages except for "emigration", where the figures denote half-year totals.

2 Provisional estimates—the provisional estimates for the fourth quarter of 1975 were for the labour force, namely 13,351 thousands persons, of whom 12,626 thousands employed and 610 thousands unemployed.

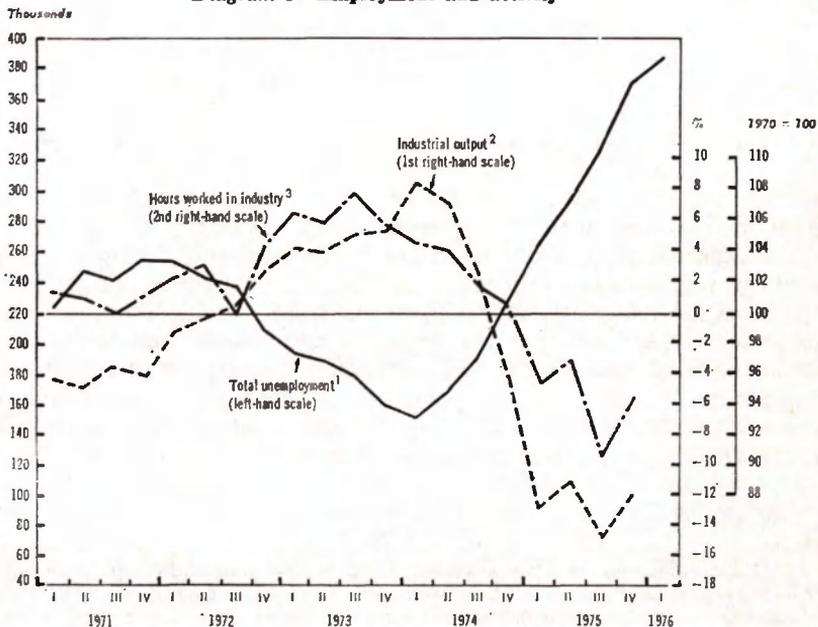
3 To European countries.

4 Monthly index.

5 Third quarter.

Sources: INE, Labour Force Survey, wage Survey; Statistical Bulletin and Submission to OECD. Statistical service of the "sindicatos", Statistics of Industrial Production.

Diagram 3 Employment and activity



1 "Estimated" unemployment, seasonally adjusted.

2 Deviations from trend of industrial output index, seasonally adjusted over the period from 1961 to 1975.

3 Monthly index, number of hours worked in industry - 1970 = 100.

Sources: Bank of Spain, Statistical Bulletin; OECD, Main Economic Indicators.

population¹⁴ shows that the rise in total employment in services has levelled off.

During this period, emigration practically stopped. The available data which cover assisted emigration show that the number of emigrants was barely more than one-third of that for 1974, a year which was already distinctly below previous years. It is also likely that the number of returning migrants was high, especially at the beginning of 1975, as is suggested by the trend of emigrants' remittances. 1975 was thus probably a year of net migration into Spain. In view of the domestic economic situation in Spain and in the main host countries, a rapid rise in unemployment was inevitable. In two years (January 1974-January 1976) estimated unemployment¹⁵ increased by 160 per cent from 1.1 per cent to nearly 2.8 per cent of the active population. According to the survey of the active population, unemployment in the fourth quarter of 1975 amounted to approximately 610 000, or 4.6 per cent of the active population, while the number of marginal workers (seasonal in particular) unemployed at the time of the survey was approximately 114 000. This increase in unemployment was nonetheless probably offset by a decline in the active population for the first time since the early 1960's¹⁶. This was due not to a reversal of demographic trends¹⁷ but to a fall in participation rates consequent on the difficulty of finding employment.

It was in industry, and construction in particular, that unemployment rose most strongly during 1975. The increase in estimated unemployment over the 12 months up to the fourth quarter of 1975 was 110 per cent in industry and 144 per cent in construction. In both these sectors, however, there was a tendency for the rate of increase to slow down from one quarter to another, though it was still above 40 per cent at an annual rate in the fourth quarter. Differences between regions are still very great, more so than between sectors: unemployment is particularly heavy in Andalusia, where the rate exceeded 10 per cent of the active population in the fourth quarter of 1975, compared with a national average of 4.6 per cent.

Incomes and Prices

While the decline in employment directly affected the total wage-bill, it does not so far seem to have had a very perceptible effect on hourly wages. The rise in hourly wage rates reached its peak at the beginning of 1975 (+ 34 per cent compared with the first quarter of 1974) and, after slowing down in the second quarter rallied again in the summer and slowed down again in the fourth quarter. The rates of increase are distinctly above not only the norms set in April 1975 but also the expected rises under collective bargains signed during the year. Only agricultural wages show a substantial deceleration. At the level of total wages, the slowdown is more appreciable but there was still a considerable rise in purchasing power except in agriculture. The wages survey, however, probably overestimates the trend of wage earnings in 1975. In national accounting terms the rise in the total wage bill in 1975 was 21.5 per cent (yielding a rise in purchasing power of 4 per cent); the increasingly common application of flat-rate increases for all workers may account to some extent for this slower rise.

At the beginning of 1976 a large number of collective bargains were under discussion, affecting more than 1.2 million wage-earners. These negotiations gave

14 The earnings survey is not a reliable guide to developments in employment in the service sector as the sample is too small. The erratic movements shown by this survey in 1975—a sharp fall in the second quarter and a recovery in the third—seems to be due to statistical imperfections rather than to economic reality.

15 "Paro estimado" estimated by the Ministry of Labour on the basis of the number of registered unemployment ("paro registrado").

16 Minus 0.8 per cent according to the survey of the active population.

17 Since the beginning of the 1970's the annual average rate of growth of the active population has exceeded 1 per cent.

Table 3 Wages
Percentage change from corresponding period of previous year

	1973	1974	1975 ⁵	1974		1975 ⁵			
				III	IV	I	II	III	IV
				Total wages	19.4	27.8	23.6	30.7	27.5
Nominal hourly earnings	19.7	26.7	30.2	28.7	28.0	34.3	26.7	33.4	28.0
Real hourly earnings ¹	7.4	9.5	11.4	11.7	9.7	13.1	8.1	13.6	11.6
Nominal hourly earnings in									
— industry ²	19.4	26.0		27.6	28.6	33.8	27.7	34.1	
— construction	20.4	35.3		41.9	29.1	34.7	19.0	30.9	
— services ³	18.8	23.7		24.0	25.6	38.7	27.3	30.1	
Wages in agriculture ⁴	19.1	32.2	16.7	36.4	31.3	23.7	17.0	13.3	13.9

1 Deflated by the cost-of-living index.

2 Not including construction.

3 Commerce, banking and insurance.

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

5 Provisional figure.

Sources: INE, Wage Survey. Ministry of Agriculture.

rise to an exceptionally widespread wave of strikes that have affected most sectors in turn during the first two months of 1976. No significant information is at present available as to the size of the wage increases that will be negotiated, but it is known that bargains affecting 400,000 wage-earners have been submitted for approval to the Committee of Arbitration on wage bargains, as they provide for increases going beyond the authorised norms (i.e. the rise in prices over the previous twelve months with a possible extra 3 percentage points).

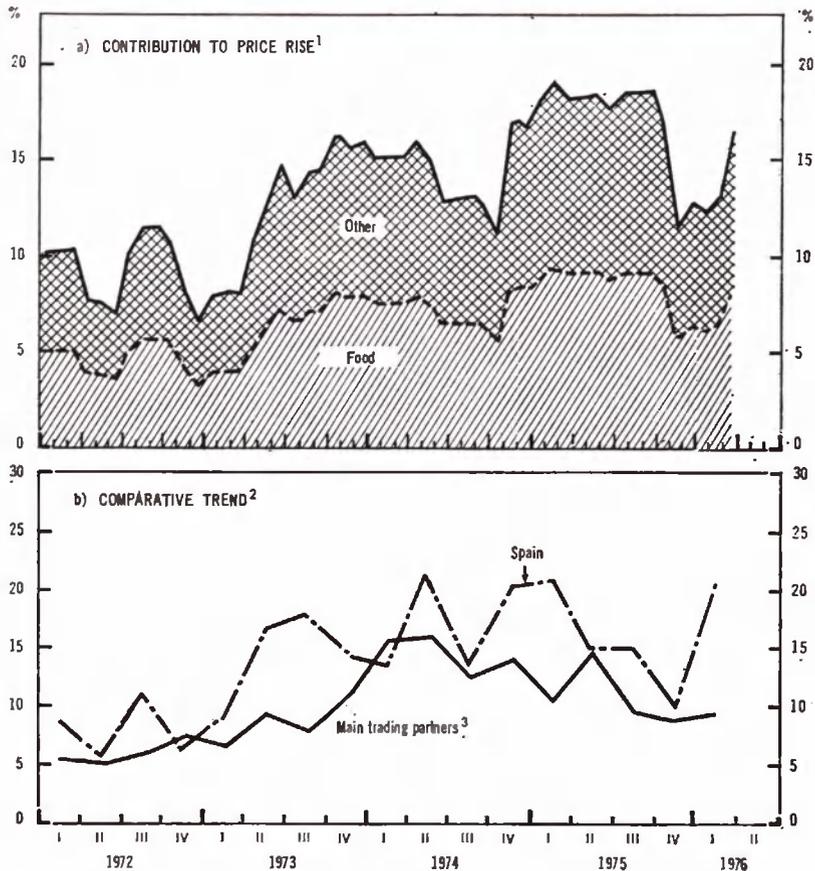
Little information is available on *non-labour income*, which must however have risen less rapidly than wages as the share of the latter in the GNP rose from 56.6 per cent in 1974 to 58.5 per cent in 1975¹⁸. In national accounting terms, incomes from entrepreneurship and property rose by only 12 per cent, though it is not possible to distinguish between the two components. However, on comparing trends in agricultural prices and costs, it seems likely that agricultural incomes ceased to decline in 1975. The rise in the purchasing power of farmers was nonetheless certainly moderate. So far as the industrial sector is concerned, there was undoubtedly a very rapid rise in unit labour costs in 1975 (of the order of 25 to 30 per cent)¹⁹ which was probably not offset by the somewhat flat trend in raw material prices. At the same time the rise in industrial producer prices decelerated. It is therefore very likely that firms were compelled to reduce their margins in the face of very weak demand. The movement might have been especially marked in the case of exports, the average values of which rose less rapidly than the index of domestic wholesale prices, and might explain the good export performance recorded in sectors which were nonetheless very much affected by the crisis, such as steel and cement.

Only from the beginning of 1975 onwards did Spain experience an appreciable

18 No correction can be made to this ratio for the increase in the number of wage-earners in 1975, but in the recent past the number of wage-earners as a proportion of the total employed has never increased by more than 1.5 per cent.

19 The assessment of productivity in industry differs appreciably depending on whether the index of industrial production or that of value added in industry is used, and whether one or the other of the employment indicators is taken.

Diagram 4 Consumer prices



1 Month over corresponding month of previous year.

2 Annual rate, quarter over previous quarter.

3 Average of the consumer price indices of the following countries, weighted according to their respective weights in exports in 1975: France 29.8 %, Germany 23.3 %, United States 22.9 %, United Kingdom 16.6 %, Italy 7.4 %.

Source: INE, Monthly Bulletin; OECD, Main Economic Indicators.

falling-off in inflation rates. By the end of 1975 this development had reduced the gap between price rises in Spain and in its principal trading partners to the average figure recorded over the medium term (around 2 per cent). This gap was sharply reduced at the beginning of 1974 when the authorities absorbed the effects of the oil crisis by reducing indirect taxes, but increased again in the second part of the year. The deceleration was mainly in prices of industrial products, those of food products rising at a practically unchanged rate in 1974 and 1975 in both wholesale and the retail markets. The rise in wholesale prices of industrial products was reduced by one-half between 1974 and 1975, from an annual rate of more than 20 per cent from end-1973 to end-1974 to 8.5 per cent over the following 12 months. In the first quarter of 1976²⁰, however, the index again began to rise more rapidly. The

²⁰ For the various price indices the seasonally adjusted series prepared by the Bank of Spain based on unadjusted data published by the INE, have been used.

trend of non-food consumer prices was in the same direction, but the slowdown was less marked, the increase from the fourth quarter of 1974 to the fourth quarter of 1975 being less than 16 per cent, compared with 18.5 per cent in the previous 12 months. But in the first quarter of 1976, prices accelerated again, as a result of dearer imports following the peseta's depreciation and possibly some rebuilding of business profit margins helped on by the recovery. In all, as an annual average, wholesale prices rose considerably less rapidly in 1975 than in 1974, whereas the retail price index rose slightly more rapidly. The GDP implicit consumer price deflator rose more rapidly in 1975 than in 1974, while the deflators of other final demand components (gross asset formation in particular) moved in the opposite direction.

Table 4 Prices
Percentage change from corresponding period of previous year

	1973	1974	1975	1974	1975				1976
				IV	I	II	III	IV	I
Wholesale prices									
Total	10.3	18.0	12.6	17.4	14.5	11.8	12.9	11.4	14.4
<i>of which:</i>									
food	10.4	12.8	13.9	14.0	13.4	13.4	16.5	12.4	15.9
energy	4.3	33.3	23.8	40.5	38.3	21.4	18.8	19.5	
raw materials	6.8	24.0	14.4	21.1	15.0	13.1	13.4	16.3	
industrial products	8.6	24.2	9.5	20.2	15.2	7.9	7.0	8.3	9.2
Prices paid to farmers	11.6	9.1	15.5	12.0	14.0	13.5	20.1	14.8	
Retail prices									
Total	11.5	15.7	17.0	16.7	18.7	17.2	17.5	14.7	14.6
<i>of which:</i>									
food	12.6	14.3	17.1	14.8	18.4	18.0	18.6	13.6	13.9

Sources: INE, Monthly Bulletin of Statistics.

There are several factors that may explain the slowdown in the price rises of industrial products. Firstly, those of imported products (excluding oil) slowed down sharply in 1975 (9 per cent as an annual average compared with 29 per cent in 1974). At the same time the weakness of demand probably led firms to reduce their margins, while rationalisation of production methods probably limited the impact of wage increases: in the second part of the year the fall in the number of hours worked compared with previous year's levels appreciably exceeded the decline in production. Despite the recession, therefore, there was probably a slight increase in average annual productivity, though it was well below that of previous years.

II THE BALANCE OF PAYMENTS

Current balance

In 1975, merchandise *imports* reflected the stagnation of production. Their rise of 4.9 per cent in value terms²² represents a decline of the order of 3 per cent by volume²³, somewhat similar to the fall in net output of industry (approximately 2.5 per cent). If energy products are excluded²⁴, the rise in the value of imports was slightly less (4.3 per cent). Although it is difficult to gauge accurately the trend of imports by volume during the year, the available data suggests that there was a steady decline through the first three quarters of 1975 and a recovery in the fourth which continued during the first few months of 1976. By commodity groups, it was agricultural imports that increased the most²⁵, followed by capital goods. Imports of raw materials and intermediate products fell back by approximately 4 per cent in value, which might suggest a decline of the order of 8 per cent in volume, this decline having been particularly appreciable in the first quarter of 1975. Imports of mineral fuels (mainly crude oil) fell by approximately 5 per cent in volume.

Merchandise *exports* increased by 8.2 per cent in value²⁶. Allowing for price trends, this rise in value represents virtually zero growth by volume. If agricultural exports (which fell slightly in value), and those of petroleum products (which fell by one-half) are excluded, the increase in the value of exports is approximately 17 per cent, which allowing for price rises of the order of 11 per cent, implies a volume growth of the order of 5.5 per cent. This trend is all the more remarkable as Spanish export markets contracted by some 4 per cent in 1975. Very substantial increases in market shares were, therefore, obtained at a time of very weak domestic demand. The most dynamic items were metal products and transport equipment, which rose by some 50 per cent in value terms. Exports of footwear rose by approximately 22 per cent²⁷. There are various reasons for this breakthrough in exports. Firstly, Spanish exporters seem to have made an effort to keep down selling prices, which rose less rapidly than domestic wholesales prices. Secondly, Spanish exports have in the past been quite sensitive to domestic demand pressure²⁸, which was especially low in 1975. Lastly, the structure of demand probably favoured Spanish products relatively, insofar as the economic crisis may have brought about a shift in demand in certain countries towards comparatively cheap products²⁹ of the kind manufactured by Spain. Throughout the year, exports reflected the decline in world trade during the first half and recovered vigorously in the second, probably in line with the reconstitution of stocks in the European countries. Of the various geographical areas it was exports to the OPEC countries which increased most, though they did

22 In pesetas/custom basis.

23 Import prices probably increased about 8 per cent in 1975.

24 Imports of energy products increased by 6.5 per cent in value terms. This increase was the result of the delayed impact of the rise in oil prices on 1974 imports. If the last three quarters of 1975 are taken compared with the corresponding period in 1974 there was a fall in value of 4.6 per cent.

25 Approximately 16 per cent by value. This increase was partly due to heavy sugar purchases.

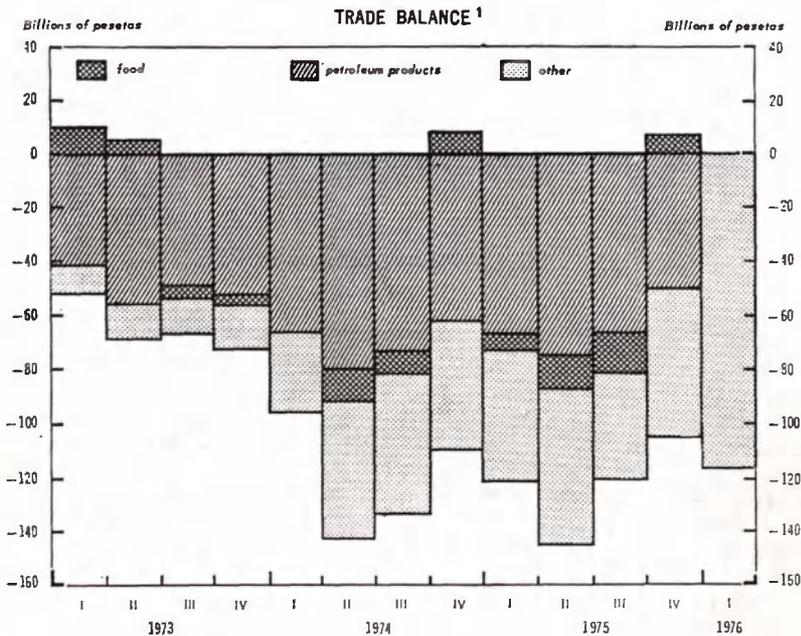
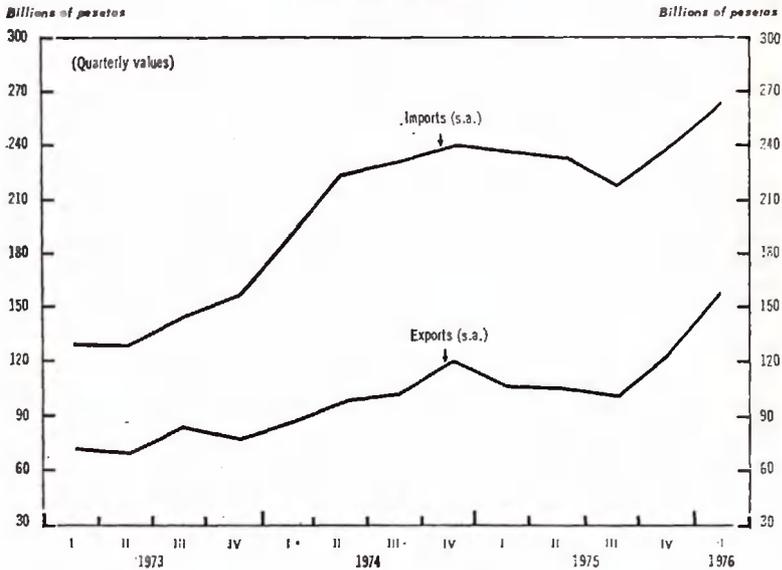
26 In pesetas, fob.

27 Exports of metal products in 1975 accounted for 9 per cent of total exports, those of transport equipment 7.3 per cent, and those of footwear 5.8 per cent. In all these three items account for some 22 per cent of Spanish merchandise exports.

28 See the 1975 Economic Survey of Spain, pages 14 and following.

29 This is the case with motor vehicles, Spain producing mainly vehicles of small horsepower, sales of which were maintained in 1975.

Diagram 5 Foreign trade
Customs basis



1 Not seasonally adjusted.

Sources: OECD, Main Economic Indicators; Ministry of Trade.

not match the rate at which those markets were expanding. The decline in exports to the United States, combined with a rise of 7.8 per cent in imports from that country, brought about a sharp deterioration in the trade balance (cif/fob) with the United States, amounting to \$1.7 billion or approximately 21 per cent of the total Spanish trade deficit and representing approximately 16 per cent of the trade surplus of the United States in 1975.

Table 5 Foreign trade by area

	Exports				Imports			
	1975 ¹	%	Per cent change from previous year ²		1975 ¹	%	Per cent change from previous year ²	
			1974 %	1975 %			1974 %	1975 %
EEC	197.0	44.6	33.6	1.8	323.6	34.7	32.6	1.3
Rest of Europe ³	44.7	10.1	40.3	5.4	64.4	6.9	34.3	4.4
United States	46.3	10.5	14.3	-3.3	148.1	15.9	51.7	7.8
Rest of America	49.8	11.3	30.8	26.4	87.8	9.4	45.1	17.8
Middle East	32.5	7.4	47.8	49.7	178.3	19.1	222.2	-3.4
Rest of world	71.1	16.1	54.2	12.8	130.4	14.0	47.2	17.4
Total	441.4	100.0	34.8	8.2	932.6	100.0	58.3	4.9

1 Billions of pesetas, customs figures.

2 At current prices.

3 Excluding the Socialist countries.

Source: Ministry of Trade.

The trade deficit (balance of payments definition) was \$7.3 billion in 1975 compared with \$7.0 billion in 1974. This deterioration was mainly due to the delayed incidence of the rise in oil prices (despite a fall in imports), and of the balance of agricultural transactions which showed a deficit of the order of \$1 billion. Even if these two items are excluded the improvement in the trade deficit from one year to the other was rather small, despite the sharp deceleration in activity and the increase in Spanish export market shares.

Table 6 Balance of payments
\$ million

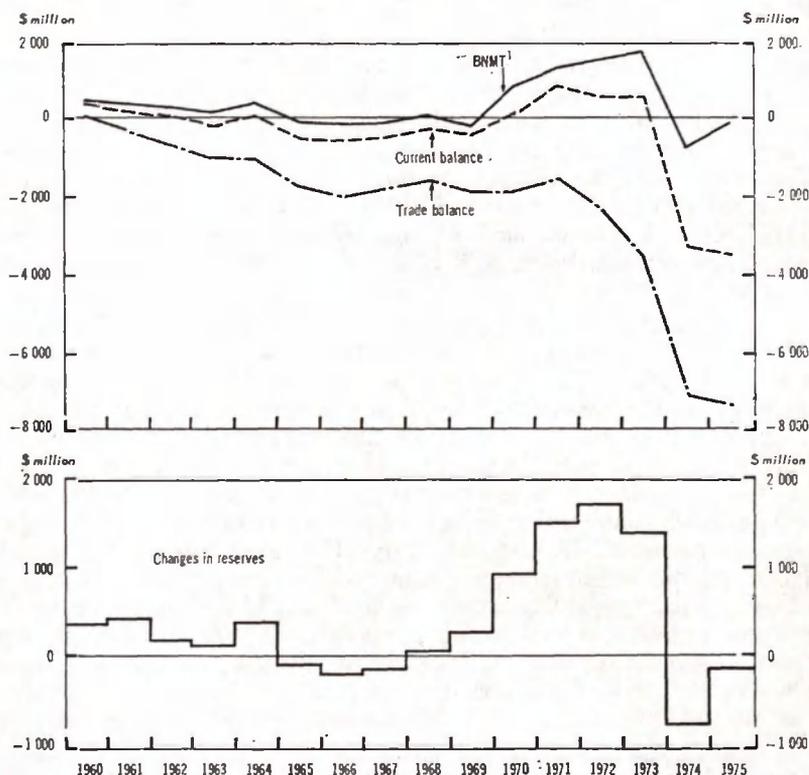
	1973	1974	1975
Exports fob	5 367	7 241	7 789
Imports fob	8 912	14 287	15 067
Trade balance	-3 545	-7 046	-7 278
Invisibles	4 103	3 778	3 801
of which: Tourism, net	2 878	2 865	3 095
Transfers, net	1 421	1 168	1 164
Current balance	558	-3 268	-3 477
Long-term capital	768	1 737	1 846
Private	814	1 684	1 814
Official	-46	53	32
Basic balance	1 326	-1 531	-1 631
Short- and medium-term capital, errors and omissions	436	766	909
Balance of non-monetary transactions	1 762	-765	-722
Change in private Banks position	-46	70	2
IMF credit ¹	—	—	581
Change in reserves (decrease = -)	1 716	-695	-139

1 "Oil facility" drawing. In the Spanish Official balance of payments, those drawings are entered as long-term capital inflows.

Sources: Ministry of Trade and Bank of Spain.

The trend of invisibles in 1975 closely resembled that of 1974, with a net positive balance of approximately \$3.8 billion³⁰. Tourist earnings increased by approximately 9 per cent in peseta terms, representing a decline in volume in view of the price trend. There was a small decline in tourist arrivals (approximately 1 per cent), and probably a reduction in the average length of stay³¹. The deficit on transportation was considerably reduced, but this improvement was more than offset by the cost of servicing debts contracted in 1974 and 1975. Investment revenue thus moved from a surplus of \$100 million in 1974 to a deficit of approximately \$200 million in 1975. Remittances by emigrants declined slightly compared with 1974, the fall being quite marked in the third quarter and still more in the fourth quarter of the year. The number of emigrants returning at the beginning of the year probably caused remittances to increase insofar as those returning to Spain sent home their savings. On the other hand, political uncertainty at the end of 1975 probably slowed down remittances of funds. Over the year as a whole, the deficit on current transactions was \$3.5 billion, or approximately 3.4 per cent of GDP.

Diagram 6 Balance of payments



1 Balance of non-monetary transactions.

Source: OECD Secretariat.

³⁰ Based on fob imports, balance of payments definition.

³¹ In July and August the average expenditure in dollars per tourist rose by only approximately 4 per cent in 1975, compared with 9 per cent for the whole year, which suggests that the low-income tourists who mostly come to Spain during the summer months probably reduced their length of stay. Absolute expenditure per tourist over the whole of 1975 was approximately \$116, whereas the figure for July and August only was \$76.

Capital Movements

This deficit was essentially financed by a long and short-term capital inflow, foreign exchange reserves changing only slightly. Long-term capital inflow was of the same order as in 1974³², this was mainly due to the official policy of encouraging public undertakings to incur debts abroad. Investment by non-residents fell off considerably, as did direct investment, portfolio investment and investment in real estate. The decline in purchases of securities by non-residents was however, more than offset by a heavy reduction in sales of securities, so that the net figure showed an improvement. In all, the net inflow of capital under the heading of direct investment was approximately \$430 million in 1975. As in 1974, long-term borrowing abroad by Spanish firms increased greatly, gross imports of capital under this heading rising from \$1.3 billion in 1974 to \$1.8 billion in 1975. Some of this inflow represented loans contracted by public undertakings (in particular, enterprises of the INI, whose share issues on the domestic market were very limited in 1975), and can be classified under the heading of "compensatory financing"³³. The inflow was also due in part, however, to the efforts made by private firms to finance themselves abroad, a behaviour to which the authorities were more tolerant than in the past. In all, the deficit on the basic balance (approximately \$1.6 billion) was scarcely larger than in 1974.

The net inflow of short and medium-term capital³⁴ was of the same order as in 1974. Trade credits yielded a net inflow of the order of \$350 million, whereas in 1974 they had been approximately in balance. On the other hand, non-trade operations yielded a net capital inflow of the order of \$400 million compared with \$850 million in 1974. This change was largely due to repayment by residents of loans contracted abroad via the banks in 1974. Allowing for the various drawings on the IMF, especially the oil facility³⁵, the fall in foreign exchange reserves was quite small, total reserves being \$5.8 billion at the end of 1975 compared with \$5.9 billion a year earlier.

The effective exchange rate of the peseta, which had remained stable during the first part of 1975, rose in the second half, though with a slight downward trend at the end of the year. The peseta/dollar rate was maintained during the first half of 1975, but in the second half the peseta did not follow the dollar upwards³⁶. On 9th February 1976, the Bank of Spain announced that its intervention limits would henceforth be 66.60 and 66.54 pesetas to the dollar, which amounted to a depreciation of approximately 13 per cent compared with the parity of 16th February 1973, the date on which the peseta had begun to float, and approximately 10 per cent on the average quotation for January 1976. The immediate economic situation was certainly not the deciding factor in this decision, insofar as the current deficit (s.a.) had been improving during the second half of 1975 and the net result of leads and lags was an inflow of capital during that period. The depreciation of the peseta must be seen in a wider context. On the one hand the persistence and scale of the trade deficit in 1975 raised a problem of the real possibilities of achieving equilibrium in current operations within a reasonable period of time. Admittedly,

32 The Spanish balance of payments shows net inflows of long-term capital as distinctly larger in 1975 than in 1974. This can be put down to the fact that drawings on the IMF oil facility were entered under "long term capital". In the OECD-IMF presentation these drawings are entered "below the line".

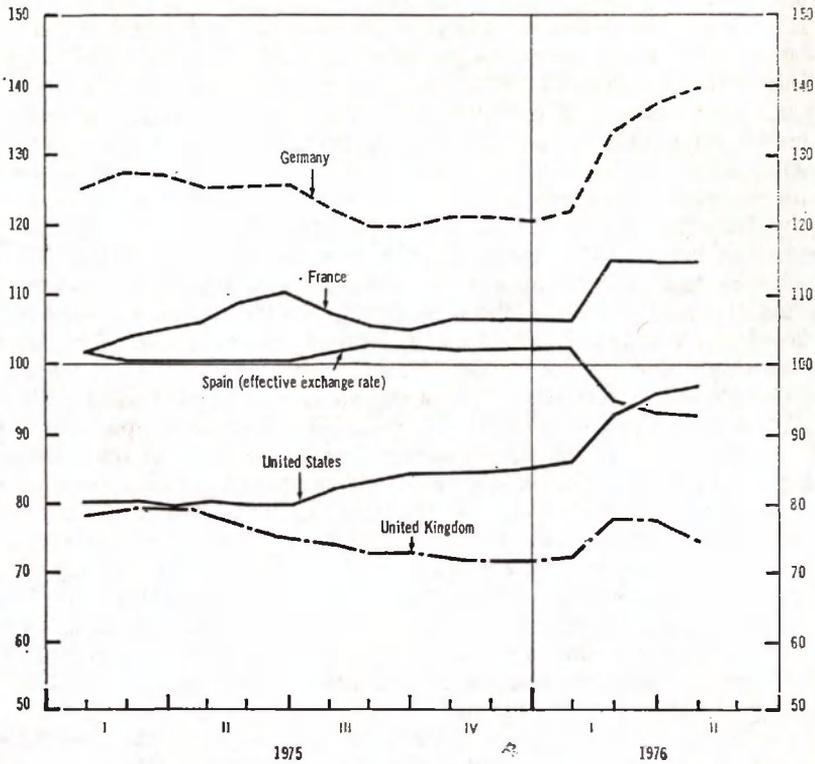
33 Insofar as firms are given incentives by the authorities to borrow abroad the capital which they could have raised in Spain. It is, however, difficult to distinguish clearly between spontaneous seeking of funds abroad and that induced by the authorities.

34 Spanish statistics do not enable these to be distinguished.

35 \$581 million in 1975.

36 In December 1975, the peseta/dollar rate was approximately 5 per cent below that of December 1974.

Diagram 7 Foreign exchange market



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

in the short run, demand pressure was still greater in Spain than in main competitor countries; but it was also a fact that the sharp deceleration of activity from 1974 to 1975 resulted in only a comparatively small improvement in the current deficit, which moved from approximately 3.8 per cent of GDP in 1974 to 3.4 per cent in 1975. There were also quite considerable increases in export market shares in 1975, and probably some destocking movements which accentuated the falling-off in imports. These were to some extent temporary factors, however, and clearly the underlying structural causes of disequilibrium remained; the comparatively strong position of the peseta on the foreign exchange markets probably did not, therefore, reflect the underlying tendencies of Spain's external position.

III ECONOMIC POLICY

General features of economic policy in the present phase of the cycle

In order to analyse the development of economic policy in 1975, it is first necessary to look back at the situation in 1974 and the steps taken by the authorities to deal with the consequences of the oil crisis. To protect domestic activity,

the authorities introduced a package of measures in March 1974³⁷, the most important of which were designed to make the public sector absorb part of the depressive impact which the oil price rise would otherwise have had on the level activity. The result was a central government budget deficit of approximately 16 billion pesetas in 1974 (about 0.3 per cent of GDP) in contrast to a position of equilibrium in 1973. The expansionary impact of government transactions, which proved to be fairly moderate, was felt mainly in the second half of 1974, when private domestic demand was slowing down. Monetary policy was geared to the spontaneous deceleration of activity but designed in such a way as not to produce any additional restrictive impact on demand, hence the setting of norms for money supply growth which were largely in line with the expected growth of GDP in value terms.

This policy had its justification and its price. Its justification lay in the threat of a marked deterioration of the labour market, given that the unemployment caused by the slowdown in domestic activity was certain to be compounded by the return of large numbers of emigrant workers from European countries hit by the crisis (France, Germany, Switzerland). The price that had to be paid was a rather large current deficit, amounting to some \$3 billion in 1974 or about 3.8 per cent of GDP. This deficit reflected both the sharp deterioration in the terms of trade (two-thirds of it being attributable to the oil price rise) and the relative cyclical position of the Spanish economy (5 per cent growth in real terms in 1974, compared with virtually zero growth for the OECD area as a whole). But, in 1974 at any rate, the deterioration in the balance on current account was still tolerable: the very high level of the nation's foreign exchange reserves at the end of 1973 (a little under \$7 billion, equivalent to about 8 months' imports) made it possible to finance a temporary current deficit, especially since inflows of long-term capital were expected to total about \$1 billion. However, given the large structural element in the deficit (the deterioration of the terms of trade not being of a temporary nature), the strategy adopted could be maintained only if the crisis were to be of short duration.

As the world recession deepened during the first half of 1975, so the problem took on new dimensions. On the prices front, Spain's performance deteriorated relative to other countries as domestic prices and costs soared. Furthermore, the return flow of emigrants, probably in larger numbers than expected, and the consequent loss of remittances constituted a threat to one of the biggest credit items in the current balance. In these circumstances of mounting domestic inflation and a widening foreign deficit a change in economic policy was inevitable, and in April 1975 a restrictive stance was adopted. But the tightening was moderate (the norms for money supply growth being lowered by only one or two points) and above all selective (the authorities wishing to check the growth of private consumption, by way of increased taxation and wage restraint, while endeavouring to preserve investment growth). This new policy approach probably contributed to the slowdown in prices during the second half of 1975, yet without putting too sharp a brake on expansion: whereas from 1972 to 1973 Spain's economic growth was 7.4 per cent against 6.1 per cent for the OECD area as a whole, in 1974 and 1975 average annual GDP growth in Spain was 2.9 per cent while that of the combined OECD area declined slightly.

Fiscal policy

The Central Government budget for 1975 was designed to produce a slightly expansionary impact on activity. Priority was given to spending on social services with a budgeted percentage increase considerably exceeding that of total expenditure; the resources of the short-term intervention fund were doubled (20 billion pesetas

37 See 1975 Annual Survey of Spain, page 21.

Table 7a Public Expenditure: Central Government Budget accounts and Treasury operations

	1973	1974	1975	1974/ 1973	1975/ 1974
	Billions of pesetas			Percentage change	
I Budgetary operations					
1 Revenue ¹	477.7	562.9	678.2	17.8	20.5
1.1 Direct taxes	147.5	191.3	246.4	29.7	28.8
1.2 Indirect taxes	274.8	286.8	327.0	4.4	14.0
1.3 Other revenue	55.4	84.8	104.8	53.1	23.6
2 Expenditure ²	483.4	575.8	680.0	19.1	18.1
3 Budget balance	-5.7	-12.9	-1.8		
II Extra-budgetary operations					
4 Revenue	16.4	24.1	24.7	47.0	2.4
4.1 Annex budget	9.6	15.6	14.9		
4.2 Local authorities	6.8	8.5	9.8		
5 Expenditure	28.8	36.2	40.1	25.7	10.8
5.1 Annex budget	7.5	16.8	14.8		
5.2 " Seccion Apendice "	8.7	10.6	14.5		
5.3 Local authorities	12.6	8.8	10.7		
6 Other revenue (+) and other expenditure (-) (net)	18.2	9.1	7.4		
7 Extra-budgetary balance	5.7	-3.0	-8.0		
III Total balance	—	-15.9	-9.8		
IV Borrowing (+) and lending (-)					
8 Bank of Spain ³	-7.3	43.7	60.3		
9 Treasury coins	—	-12.0	-7.9		
10 Public debt	5.0	—	—		
11 Loans from abroad	1.2	6.3	2.8		
12 Treasury paper (« Cédulas »)	12.1	23.9	51.8		
13 Less transfers to official lending institutions	-25.6	-46.1	-97.3		

1 Excluding financial transactions.

2 Excluding the autonomous bodies.

Source: Ministry of Finance.

as against 10 billion in 1974); and provision was made for a rapid growth of transfers to official lending institutions (65 billion pesetas, the outturn for 1974 being 46 billion pesetas). However, since domestic inflationary pressures were mounting and the economic crisis abroad showed no signs of abating, the authorities decided in April 1975 to make their fiscal policy more restrictive. Company tax was revised (and increased) and a temporary surtax of 10 per cent on income from capital was introduced (and subsequently extended until December 1976), together with a 15 per cent tax on interest paid by banks and savings institutions. These measures should raise about 35 billion pesetas additional revenue in a full year (about 0.6 per cent of GDP). Tax allowances for investment were introduced at the same time in order to protect activity; these were increased in November 1975.

The budget outturns for 1975 bear the imprint of these measures. Revenue from direct taxation over the year showed a rate of increase much the same as in 1974 and distinctly higher than that of GDP in value terms. The yield from tax on earned income did not increase as much as in 1974³⁸ the minimum tax-free allowance having been raised in January 1975. Tax on earned income now accounts for about 38 per cent of revenue from direct taxation³⁹. The yield from tax on unearned

38 33 per cent compared with 43 per cent in 1974. The minimum tax-free allowance was raised from 100,000 to 140,000 pesetas a year.

39 About 16 per cent of total tax revenue as against 12 per cent in 1973.

Table 7b Public Expenditure: Central Government
Budget revenue and expenditure - Initial estimates

	1974	1975	1976	1975/ 1974	1976/ 1975
	Billions of pesetas			Percentage change	
<i>Revenue</i>					
Direct taxes	172.9	219.3	287.5	26.8	31.1
Indirect taxes	311.2	355.0	394.7	14.1	11.2
Total taxes	484.1	574.3	682.2	18.6	18.8
Other revenue	65.3	79.1	100.2	21.1	26.7
Total revenue	549.4	653.4	782.4	18.9	19.7
<i>Expenditure</i>					
Wages and salaries	217.0	277.2	343.4	27.7	23.9
Goods and services	36.6	43.1	49.7	17.8	15.3
Subsidies and transfers	125.5	145.8	183.4	16.2	25.8
Interest on public debt	8.6	9.2	8.5	7.0	-7.6
Total current expenditure	387.6	475.3	585.0	22.6	23.1
Direct investment	70.6	81.3	87.4	15.2	7.5
Capital transfers	80.5	86.1	93.9	7.0	9.1
Total capital expenditure	151.1	167.4	181.3	10.8	8.3
Total expenditure	538.7	642.7	766.3	19.3	19.2
<i>Balance</i>	+10.7	+10.7	+16.1		

Source: Ministry of Finance.

income, on the other hand, rose sharply, following the taxation of interest paid by banks and savings institutions. Revenue from indirect taxation was affected by the low level of activity. No valid comparison can be made with 1974 owing to the fact that tax on petroleum products was lowered that year, with the result that revenue from indirect taxes showed only a very small increase in 1975 (about 4 per cent). Business turnover tax, the largest item of indirect taxation⁴⁰ showed virtually no increase in yield and the growth of revenue from stamp duties was only half as much as in 1974. The yield from taxes on luxury goods and on imports⁴¹ rose sharply, however. In all, total tax revenue increased by about 20 per cent in 1975 compared with 18 per cent in 1974. As for expenditure⁴², this showed a smaller increase than in 1974 (20 per cent as against 22 per cent). The slowdown was attributable mainly to capital transfers, growth of which declined from 32 per cent in 1974 to 12 per cent in 1975.

Central Government transactions seem to have had a restrictive impact on activity during the second half of 1975. Revenue growth then was much more rapid than that of expenditure in comparison with the corresponding period of 1974; this was in contrast to the first half of 1975 and especially the second half of 1974, when the impact of the Central Government budget was decidedly expansionary⁴³.

No figures are available concerning the transactions of the rest of the public

40 About 14 per cent of total tax revenue.

41 About 23 per cent of revenue.

42 Cash basis.

43 Percentage growth from corresponding period of previous year:

	74 I	74 II	75 I	75 II
Revenue	17.8	17.9	16.6	23.8
Expenditure	19.3	27.1	19.3	17.1

sector in 1975⁴⁴. However, the growth of Social Security contributions in 1975 seems to have been slightly more rapid than that of welfare outlays which suggests that Social Security did not have an expansionary impact. Given that local authorities and independent bodies have a relatively low weight in the total, the public sector probably had a slightly expansionary impact on economic activity in 1975 as a whole.

The reduced deficit on Central Government account in 1975 (1.8 billion pesetas for the budget narrowly defined and nearly 10 billion pesetas if the related budgets are included, i.e. 0.03 and 0.2 per cent of GDP respectively) did not pose any financing problems. The high level of borrowing from the Bank of Spain (60 billion pesetas compared with 44 billion in 1974) can be explained by the much increased volume of transfers to official lending institutions, which amounted to 97 billion pesetas compared with 46 billion in 1974, and by the desire of the authorities to offset the external sector's negative impact on the monetary base. As in 1974, the volume of Treasury bonds⁴⁵ taken up by private banks in order to observe their compulsory reserve ratios covered only about 50 per cent of the requirements of the official lending institutions. Credit advances by these grew considerably more rapidly than those from the private banking sector.

The Central Government budget provisions for 1976 show a slight surplus, of the order of 16 billion pesetas (about 0.3 per cent of GDP); but according to the national experts' estimates on a national accounts basis, the budget will show a deficit of about 48 billion pesetas, or 0.7 per cent of GDP. The budgeted increase in expenditure is slightly less than 20 per cent, with a bigger growth in current than in capital expenditure. On the current expenditure account, transfers are due to increase the most rapidly, and account for 23.4 per cent of total expenditure. Public sector employment is to rise slightly faster than in 1975 (3.4 per cent as against 2.7 per cent). Tax revenue is budgeted to show much the same rate of increase as expenditure, with a more rapid growth in receipts from direct taxation. These should represent a little under 37 per cent of total tax revenue in 1976 compared with about 32 per cent in 1974. As in 1975, the 1976 budget provides for a short-term intervention fund, the resources of which have been set at 25 billion pesetas, an increase of 25 per cent on 1975. The 1976 budget for the public sector as a whole is virtually in balance. Spending on Social Security is up significantly from 42.5 per cent of total public expenditure (not consolidated) in 1975 to 44 per cent in 1976. This increase should, however, be partly covered by Social Security contributions which are expected to grow by a little over 20 per cent in 1976.

Monetary Policy

After the acceleration in the growth of the broadly defined money supply (M3) towards the end of 1974, the monetary authorities set out in 1975 to ease this aggregate back to a more moderate rate of growth, which they set at around 18 per cent for the first six months of the year. This increase in M3 was to finance a growth of roughly 3 or 4 per cent in GDP volume without adding to the inflationary pressures on the economy. The very uneven development of autonomous factors during the course of the year did not make the monetary authorities' task any easier. The external sector, which had a negative impact on the monetary base almost continuously since the end of 1973, suddenly turned about and helped to fuel money creation from April to September 1975. Furthermore, the monetary impact of public sector transactions was very strong in the first half of 1975, partly because of the funding operations on behalf of the official lending institutions. These

44 The latest figures on a national accounts basis date from 1974.

45 "Cedulas para inversiones".

developments lay behind the actions of the Central Bank to bring about a reduction in the amount of very short-term credit granted to the private banks and a moderate increase in Treasury paper in circulation. In July, the Bank of Spain's compensatory operations directed at easing the seasonal constraints⁴⁶ on the private banks were interpreted by them as a change of direction in monetary policy. The result was a steep growth in lending to the private sector, followed by a sharp acceleration in the growth of the monetary aggregates that had to be corrected in the latter part of the year. During this period, the public sector's expansionary impact was significantly reduced (except in September). On the other hand, the contractionary influence on the monetary base exerted by the external sector towards the end of the year helped ease the task of monetary control considerably.

Table 8 Monetary indicators

	Out-standing at 31-12-75	Change in billions of pesetas from previous period (s.a.)				Percentage change from corresponding period of previous year			
		1975			1976	1975			1976
		II	III	IV	I	II	III	IV	I
Money supply (M1)	1 955.8	69.9	94.6	91.5	70.8	14.6	17.9	18.6	21.0
Credit to private sector	4 371.6	169.1	208.4	201.3	200.2	23.3	23.8	22.4	21.0
Banks	3 220.1	109.5	146.1	157.8	148.1	22.6	23.0	22.0	20.5
Savings banks	745.3	36.8	39.2	25.5	34.2	24.6	24.6	22.1	21.3
Official lending institutions	406.2	22.8	23.1	18.0	17.9	26.7	29.2	26.5	24.2
Deposits									
Banks	3 158.9	92.2	139.9	136.0	108.4	16.3	18.1	17.4	17.7
Savings banks	1 536.0	68.4	71.8	70.2	71.5	21.7	22.7	22.3	21.6
		<i>as a percentage of deposits</i>							
Banks' freely disposable liquid assets	0.49	0.28	0.15	0.48	0.19 ¹				

1 February.

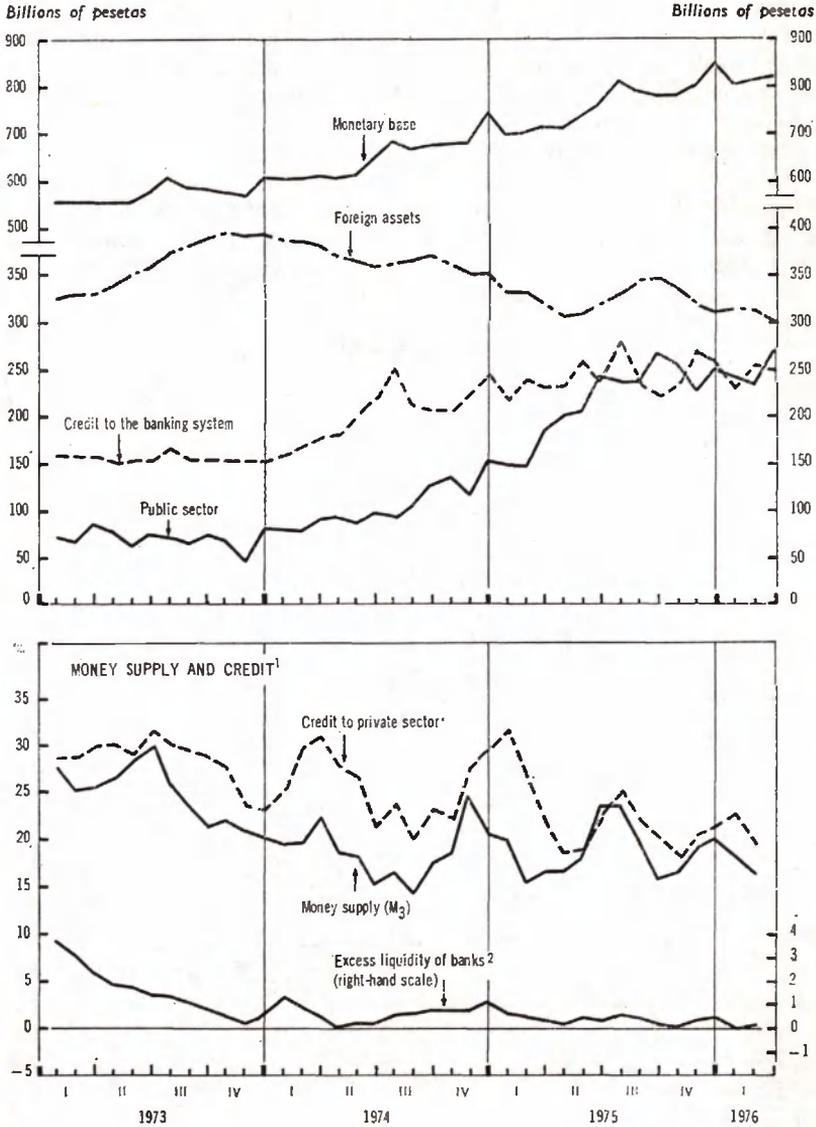
Source: Bank of Spain, Statistical Bulletin.

Although the growth of bank credit to the private sector speeded up in July 1975, the trend during the year was one of gradual deceleration, most notably in the case of domestic peseta credits to residents. Foreign currency lending to residents rose sharply in 1975 (57 per cent from December 1974 to December 1975). However, the growth during the year (about 50 billion pesetas) was a little less than in 1974. This trend was encouraged by the authorities in order to ease the balance of payments constraints. The greater part of this credit was financed by way of a steep increase in the banks' foreign commitments (about 73 billion pesetas). Purchases of securities by the banks rose sharply. On the liabilities side, the growth of bank deposits was more balanced than in 1974⁴⁷ but distinctly slower. This growth of deposits was accompanied by an appreciable increase in certificates of deposit issued by the industrial banks and in credit granted by the Bank of Spain to the banks. Furthermore, management of bank liquidity was improved considerably, so that the mopping

46 The July pay bonus, equivalent to an extra month's pay, causes the public's demand for legal tender to rise sharply, thus straining bank liquidity.

47 Sight deposits rose by 17.1 per cent in 1974 and time deposits by 21.8 per cent. In 1975, however, sight deposits increased by 17.8 per cent and time deposits by 16.7 per cent.

Diagram 8 Main counterparts of the monetary base and money supply



1 Moving averages over 3 months (s.a.), quarterly growth rates expressed as annual rates.

2 Percentage over total assets.

Source: Bank of Spain, Statistical Bulletin and Quarterly Supplement.

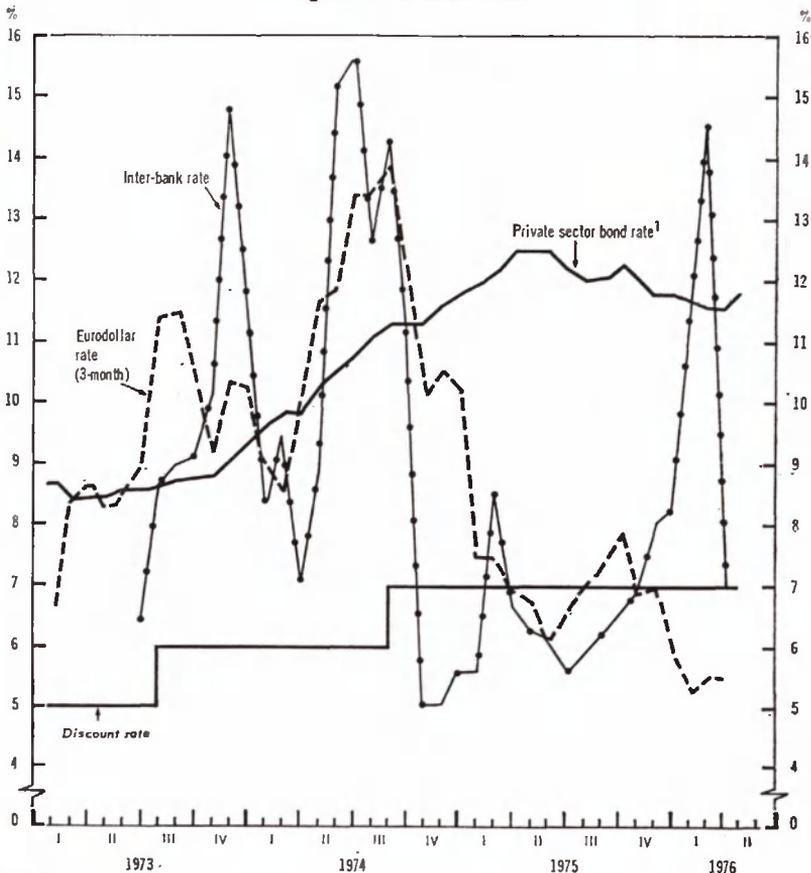
up of excess liquidity, which took place over the whole year, was achieved without any strain on the call money rate.

Lending by savings banks to the private sector showed a more pronounced and steadier slowdown than did bank credit. Moreover, the savings banks further reduced the proportion of their assets constituted by public securities: in December 1975 these were only equivalent to about 11 per cent of total deposits compared with 13.5 per cent a year earlier. The savings banks also substantially increased their deposits with commercial banks during the second half of 1975. Growth

of advances by official institutions accelerated considerably. During the year as a whole, loans to the private sector grew by about 80 billion pesetas, whereas in 1974 they had increased by approximately 50 billion pesetas and in 1973 by only 17 billion. Only half of this increase was covered by the automatic functioning of the investment ratio of the banks, which meant that the Treasury had to borrow heavily from the Bank of Spain to finance the transfers to official lending institutions⁴⁸. The export industries were the main recipients of this credit.

Interest rates remained relatively stable throughout 1975, but with a perceptible upward trend in short-term rates and a slight downtrend in long-term rates. The call money rate did not undergo the fluctuations it did in 1974, partly because the general framework in which monetary policy was developed has remained relatively stable, but chiefly because operators as a whole appear to have accepted the controls progressively set up by the authorities since 1973⁴⁹. This is particularly true of

Diagram 9 Interest rates



1 Yield.

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

48 The commercial and savings banks are required to set aside a certain percentage of their deposits for the purchase of public securities which serve to fund the official lending institutions. Should the loans of the latter expand more rapidly than the banks' deposits, other means of financing have to be found.

49 See 1974 and 1975 Annual Surveys of Spain. Some elements of strain linked with seasonal factors emerged on the money market in January-February 1976 but disappeared by the end of February.

the private banks, which after a period of hesitation now seem to be managing their liquidity surpluses more flexibly. The discount rate held firm at 7 per cent throughout the year, as did the rates paid by banks on sight deposits by the savings banks (about 9.5 per cent). The Banks' long-term lending rates tended to move up during the year, whilst the yield on private bonds reached a peak in March 1975 (about 12.5 per cent) and fell back appreciably thereafter.

Despite the sluggishness of the capital market throughout 1975 (the Bank of Spain's mean index of listed securities shows an average fall of 14 per cent in 1975), issues of securities increased considerably. Gross issues of shares and bonds by non-financial companies increased by 57 billion pesetas⁵⁰. On the other hand, net issues by financial companies fell slightly⁵¹. Where the public sector was concerned, the growth in the volume of long-term government securities is attributable to the issues of "cedulas"⁵² to finance official credit. These issues totalled some 52 billion pesetas as against 24 billion in 1974. Issues by the INI on the domestic market were of the same order as in 1974 (about 11 billion pesetas).

Other economic policy measures

The measures adopted in April and November 1975 incorporated a number of arrangements in regard to prices and incomes. Where prices were concerned, the controls introduced in November 1974⁵³, were adjusted. For prices subject to special surveillance and prior authorisation, the only increases permitted are those which reflect higher costs as a result of dearer raw materials and authorised wage rises. Furthermore, prices of the main farm goods are to be fixed globally by the Council of Ministers. The impact of this decision might be considerable if it were to help to integrate agricultural policy more closely with economic policy as a whole. With regard to incomes, the measures taken in April and November 1975 followed the general lines of the decree enacted in November 1973, which placed a limit on wage increases negotiated under the collective bargaining procedure. Wage increases may not exceed the rise in the cost of living during the 12 months preceding the collective agreement. This limit may be raised by three points in exceptional circumstances. Dividends and other income from capital may not exceed the 1973-74 average.

It is difficult to gauge the impact of this set of measures on activity. The successive adjustments made to the price control system have narrowed its scope so as to confine it to those items which can actually be controlled. In 1974 and 1975, controlled prices often rose faster than free prices, but any assessment here must need to be conditional and it is hard to tell how controlled prices would have moved if they had been left free instead. The same is true of *wage controls*. Hourly earnings in 1974 and 1975 rose much faster than the price index. However, no accurate judgement can be made with the statistics that are available. The pay awards obtained by workers in 1974 and 1975 were in many cases flat rate increases resulting in a redistribution of income through differential growth rates of wage increases, depending on the income bracket. Furthermore, one of the most extensive demands when the collective agreements came up for renewal was that personal income taxes⁵⁴ should be transferred to the enterprise, which tends to obscure the significance of the statistics on hourly earnings. It should also be pointed out that

50 They totalled 295 billion pesetas compared with 238 billion in 1974.

51 102 billion pesetas in 1975 compared with 112 billion in 1974.

52 Special securities designed to enable the banks and savings banks to observe their compulsory investment ratio.

53 See 1975 Annual Survey of Spain.

54 Earned income tax, now at a uniform rate of 12 per cent on incomes above 140,000 pesetas a year.

despite average increases in hourly earnings of the order of 25 to 30 per cent in 1975 (whereas the price deflator for private consumption rose by about 17 per cent), total wage growth was only about 21 per cent and households' disposable income rose at much the same rate as prices.

After the depreciation of the peseta on 9th February 1976, the Spanish Government put before the Cortes on 5th March 1976 a back-up programme incorporating a package of measures touching on different aspects of economic policy⁵⁵. Where fiscal policy is concerned, the programme provides for an increase in the minimum tax-free allowance in respect of earned income⁵⁶, an upward adjustment of 10 per cent in the scales of inheritance tax and taxes on asset transfers, and a 20 per cent surcharge added to the tax on luxury goods with the exception of tobacco and petrol, the price of the latter having been raised⁵⁷. The programme also includes a number of measures to encourage investment, which in the main are an extension of those introduced in November 1975. In the monetary policy field, the programme provides for an increase in transfers to the official lending institutions. In conjunction with this measure, the banks' investment ratio was raised from 23 to 25 per cent on 12th March, 1976 and that of the savings banks from 40 to 43 per cent. The result should be that the savings banks will exercise considerably more restraint in granting credit and that a greater proportion of bank credit will be directed towards investment and exports. Furthermore, given that the interest rates charged by the official lending institutions are generally lower than those charged by the private sector, the role of the market in allocating scarce resources could be weakened.

IV SHORT-TERM PROSPECTS, PROBLEMS AND ECONOMIC POLICY CONCLUSIONS

Short-term prospects

By the end of 1975 there were various signs that activity was recovering somewhat after the downturn recorded in the first half of the year. At the same time, there was some easing of inflationary pressures accompanied by a distinct worsening of the social climate. It is particularly difficult to produce an overall forecast for the Spanish economy in 1976. Apart from the usual difficulties of working with out-of-date information, which means that it is still impossible to chart the economy's development during 1975, major uncertainties are posed by the measures announced after the peseta's depreciation in February 1976 but not yet enacted and by the mounting social unrest (in this last connection it is still not possible to tell how far production was set back by the strikes that occurred at the beginning of the year and to what extent output losses can be made up). The forecast presented below is based, as usual, on the assumption that the peseta's parity will remain at its March level until the end of the year. It has also been assumed that there will be no significant shift in economic policy away from the course already adopted (in other words, a budget with a slightly expansionary impact⁵⁸ and a monetary policy geared to a moderate upswing in activity). Lastly, it has

55 At the time of drafting this survey, the programme had not yet been voted on by the Cortes.

56 Allowance to be raised from 140,000 to 160,000 pesetas per year.

57 From 26 to 28 pesetas per litre (98 octane petrol). This increase does not cover the mechanical impact of the peseta's depreciation.

58 The central government deficit, according to the national accounts definitions, might amount in 1976 to approximately 48 billion pesetas, or 0.7 per cent of GDP.

been assumed that the level of activity will not be seriously affected by developments in the social climate. On the basis of these various assumptions and the information available as to the trends in world trade and in Spain's export markets, 1976 might see a real growth of 2½ to 3 per cent in gross domestic product over that of 1975⁵⁹. This growth, which should gain momentum in the course of the year, would be led by the rapid recovery of exports. It would not suffice, however, to halt the deterioration in the employment situation. Furthermore, pressure on prices is likely to remain the same on average as in 1975 and may well become even more pronounced as the year goes on. Finally, the current deficit, though still large, might show a slight improvement.

The peseta's depreciation earlier in the year should permit a sustained growth of exports in volume terms. Exports of merchandise, other than agricultural and petroleum products might rise by about 14 per cent in volume terms, partly as a result of expanding markets (export markets are expected to grow by 8 per cent) and a steep increase in market shares. Even in 1975, when world trade was particularly depressed, substantial gains in market shares were recorded. It has been assumed that the same trend will continue in 1976. Exports of agricultural products should show some improvement on 1975 with a rate of increase that might be more or less in line with the growth of export markets. Assuming a slight upturn in exports of petroleum products, total merchandise exports should increase by some 12 per cent in volume terms in 1976. On the prices front, exporters may be expected to make up some of the margins which they reduced in 1975 in order to make their products more competitive. Peseta prices of Spanish goods should show a steep increase (about 16 per cent), but the dollar prices should rise slightly less rapidly than those of Spain's chief competitors. Earnings from tourism should recover somewhat in real terms, chiefly as a result of the improvement in the economies of Spain's principal customers and the depreciation of the peseta.

Private consumption should increase by about 2 per cent in real terms, which would be much the same rate as in 1975. This implies a steeper growth in real personal disposable income than in 1975 and a rise in the saving ratio. As regards the increase in household income, a slightly larger growth of total wages than in 1975 may be expected, as the combined result of a more moderate trend in hourly earnings and no further shortening of working hours. The higher propensity to save would be attributable to the persistence of a depressed labour market. However, it has been assumed that the saving ratio, although higher than in 1975, will not return to its 1974 level. On the investment side, the low rate of capacity utilisation and the uncertainties of non-economic origin that now overhang Spain are likely to deter entrepreneurs from expanding their investment. There might, however, be a very slight upturn as a result of some rebuilding of stocks, which may have already begun. This would make up for the probable continuation of the downtrend in investment in plant and machinery. It is assumed that the growth of public consumption in 1976 will be slightly less than in 1975 (3 per cent as against 3.7 per cent). In all, total domestic demand should make a little more headway in 1976 than in 1975 (1.7 per cent as against 0.8 per cent).

On the prices front, there was reason at the beginning of the year to expect some improvement as a result of the more moderate rise in enterprises' costs, which in terms of unit costs was essentially due to the upturn in production. Indeed, the figures for the second half of 1975 showed that there had been some slowdown: the rise in prices (at annual rates, by comparison with the previous half-year) was reduced from 19 per cent in the first half of 1975 to 13.5 per cent in the second half. But these prospects for an improvement in price performance have now been put in doubt by the foreseeable effects of the peseta's depreciation, the mechanical impact

⁵⁹ The Spanish experts' forecasts for 1976 are very similar to those of the Secretariat.

of which will be a rise of 2 to 3 per cent in domestic prices. The year-on-year rise in consumer prices is now likely to be much the same as in 1975 (17 per cent). However, in terms of the rate of increase over the course of the year, the upward movement will probably accelerate.

With regard to imports, their elasticity with respect to GDP can be expected to decline as a result of the steep increase in peseta prices of imported products (about 17 per cent compared with 8 per cent in 1975). The assumption adopted here is that in 1976 import elasticity will be approximately unity (compared with a negative elasticity in 1975 and an elasticity averaging roughly 1.5 over the medium term). This would mean that imports, like output, would rise by 2.5 per cent in volume terms in 1976⁶⁰. Given the price assumptions, 1976 would see an improvement in the trade balance of about \$0.5 billion. But this improvement would be partly offset by a slight deterioration in the balance on invisibles account, due chiefly to increased payments on foreign loans. The overall improvement in the current balance is likely to be limited in 1976 (about \$400 million) and the foreign deficit expressed in terms of gross domestic product would thus be reduced from 3.5 per cent in 1975 to a little over 3 per cent in 1976.

Table 9 Forecasts for 1976

	1974 Billions of pesetas	1975 ¹ Percentage change in volume terms	1976 ²
DEMAND AND OUTPUT			
Private consumption	3 360	2.1	2
Public consumption	470	3.7	3
Gross asset formation	1 363	-3.4	½
Construction	776	-2.5	—
Capital equipment	587	-4.5	1
Total domestic demand	5 193	0.8	1½
Exports of goods and services	709	-2.7	9½
Imports of goods and services	968	-2.0	2½
GDP	4 934	0.8	2½
GDP price deflator		16.5	15½
Consumer prices		17.0	17
FOREIGN TRADE (merchandise):			
Exports fob: volume		—	12
prices ³		8	16
Imports fob: volume		-3	2½
prices ³		8	17
		\$ billion	
BALANCE OF PAYMENTS:			
Trade		-7.3	-6½
Invisibles, net		3.8	3½
Current balance		-3.5	-3

1 Provisional estimates.

2 Forecasts.

3 In pesetas.

Sources: INE, Ministry of Trade and OECD Secretariat.

⁶⁰ The national experts foresee a flat trend in imports by volume in 1976, despite a growth in GDP of the same order as that predicted by the Secretariat. Their forecast is based on the assumption of a relatively high price elasticity of imports.

Some medium-term issues

The Fourth Development Plan, for the period from 1976 to 1980, was drawn up in the first part of 1975 and was to be debated by the Cortes at the end of last year. In the event, because of the political uncertainties in Spain, this debate did not take place. At the beginning of 1976 new working documents were prepared. These comprise a number of development scenarios for the period to 1980 which were produced by means of a simulation model. It is still too early to consider the results of this work, which is at present under discussion and revision. In the paragraphs that follow, an attempt has simply been made to analyse some of the problems which the Spanish economy will have to contend with between now and the end of the decade. These problems stem from two major constraints. The need to limit the external deficit will affect growth possibilities over the medium term. But the size of the working population will necessitate a certain rate of growth or substantial corrective action; and it is probable that any compromise solution between the balance of payments constraint and desirable employment goals will put heavy pressure on prices. The Secretariat has made a study of these medium-term issues, but as a preface to the findings, it is necessary to stress the extremely mechanical and as yet very exploratory nature of the exercise.

In order to determine what rates of output growth would be consistent with a *tolerable deficit on external account*, the Secretariat first projected different annual rates of GDP growth between now and 1980 (by volume: 3 per cent, 5 per cent and 7 per cent over the period from 1976 to 1980). When the complementary assumptions⁶¹ regarding import elasticity in relation to GDP⁶² are taken into account, the results show how difficult it would be to reduce the trade deficit substantially between now and 1980—or even to keep it at its present level—if there were a steep rise in production: thus, with a real GDP growth of 7 per cent a year, a trade deficit in 1980 of the same size as in 1976 (6.7 per cent of GDP) would necessitate an export growth averaging about 9.5 per cent a year in volume, assuming an import elasticity of 1.4. If the trade deficit were to be reduced down to 4 per cent of GDP by 1980, the rates of export growth would have to be 17 per cent or 19 per cent, depending on which of the two import elasticities is assumed, which would imply market share gains that were very considerable indeed. But even a more moderate growth of production (3 to 5 per cent) presupposes strong export performance if the trade deficit is to be reduced to 4 per cent of GDP by 1980: with an import elasticity of 1.4 the export growth rates would have to be 12 per cent (3 per cent growth of GDP) or 15 per cent (5 per cent growth of GDP), which likewise implies considerable gains in market shares even if a sustained expansion of world trade is assumed⁶³.

These calculations, which are very mechanical, assume that the terms of trade will remain at their 1976 level⁶⁴ and there are alternative assumptions concerning the elasticity of imports with respect to GDP. It is reasonable to suppose that the Spanish economy will react to the sharp deterioration in the terms of trade during 1974-76 by a rationalisation of inputs and import substitution, which might cause the import/GDP elasticity to decrease. As to the technical assumption that the terms of trade will remain the same as in 1976, this is reasonable as regards

61 A detailed analysis of these assumptions is given in the annex to this survey.

62 1.2 or 1.4 (compared with 1.5 for the medium-term trend).

63 The very preliminary evaluations made by the Secretariat on the basis of the initial medium-term projections indicate that the growth of Spanish markets might be approximately 8 per cent a year over the period from 1976 to 1980.

64 Cf. forecasts for 1976. It has been assumed that the peseta's depreciation in February 1976 will be passed on in full by importers and that exporters will do some trading-off of prices against volume of their exports. The result would be a slight deterioration in the terms of trade.

merchandise trade⁶⁵. However, given that service exports are an important item of the current balance, the terms of trade of goods and services items combined are likely to show some improvement. Thus, although the reduction of the trade deficit (fob-fob) from 6.7 to 4 per cent of GDP by 1980 would still imply a current deficit in 1980 of about 0.7 per cent of GDP at 1976 prices, there is reason to think that developments in goods and service prices respectively will combine to produce a situation of approximate balance.

Table 10 Exports and current deficit
Annual growth rates, 1976-1980

	GDP: 3 per cent		GDP: 5 per cent		GDP: 7 per cent	
	Elasticity 1.2 ¹	Elasticity 1.4 ¹	Elasticity 1.2 ¹	Elasticity 1.4 ¹	Elasticity 1.2 ¹	Elasticity 1.4 ¹
Export growth in volume consistent with:						
— unchanged trade deficit ²	4.0	5.0	6.7	8.4	9.4	11.8
— reduced trade deficit ³	11.2	12.1	13.9	15.3	16.6	18.6

1 Elasticity of imports in relation to GDP. During the period from 1962 to 1973 it was 1.5.

2 As a percentage of GDP over the period from 1976 to 1980 (6.7 per cent of GDP).

3 Progressive reduction from 6.7 per cent of GDP in 1976 to 4 per cent of GDP in 1980.

Source: Secretariat estimates.

Clearly the results of these calculations are very mechanical. But they do show up a number of constraints:

- (i) Simply to hold down the trade deficit between now and 1980 to its 1976 level (as a percentage of GDP) would require very strong export efforts. Admittedly, the recent deterioration in the trade balance incorporates a cyclical element, but it is still largely structural, and it should be remembered that an increase of 12 to 15 per cent in merchandise exports implies a steeper growth in exports of non-agricultural products, given the supply constraint which exists here and the fact the growth of agricultural export markets is expected to be slower than that of industrial export markets.
- (ii) Even taking the assumption of a moderate growth of production (3 to 5 per cent), export growth will still have to be strong and will, therefore, necessitate a considerable reallocation of resources at the expense of domestic uses (consumption and investment). It is thus likely to affect investment (through better use of existing capacity and possibly through greater efficiency of capacity installed in the future) and private consumption, the structure of which will probably alter in consequence. The necessary restructuring cannot come about spontaneously: it presupposes a very active policy on the part of the authorities.
- (iii) Spanish exporters will, therefore, have to make considerable efforts to increase their market shares between now and 1980. It is true that past export performances have been extremely satisfactory⁶⁶ and that there

65 The technical annex contains an illustration of the sensitivity of the current balance to the different assumptions that can be made concerning terms of trade developments.

66 See 1975 Annual Survey of Spain, page 15 et seq. According to the Secretariat's estimates, Spanish gains in market shares were very considerable in the period from 1962 to 1973. From 1962 to 1967 Spanish exports increased year-on-year by 4 points more than export markets, and in the period from 1968 to 1973 the differential was 7 points. From 1968 to 1973 very substantial gains were obtained on the markets of the former EEC.

is no reason to think that these will cease abruptly. But it is also reasonable to suppose that the rate of expansion of world trade will no longer be the same as in the 1960s and that big efforts will consequently have to be made. These efforts cannot be dissociated from the general endeavour to reduce the rate of increase in costs and keep them in line with those of Spain's chief competitors. Since the price elasticity of the products exported by Spain is relatively high, it is not possible to count both on gains in market shares and on an improvement in the terms of trade.

The national experts' preliminary estimates of the probable trend in the balance of payments between now and 1980 are similar to those of the Secretariat. Assuming an annual growth of exports of $11\frac{1}{2}$ per cent ($8\frac{1}{2}$ per cent growth of markets and 3 per cent gains in market shares) and an elasticity of imports in relation to GDP of 1.3, together with a 5 per cent annual growth of GDP, the result would be a trade deficit of about \$6.4 billion⁶⁷ in 1980, compared with \$7.3 billion in 1975. Given the additional assumptions regarding services⁶⁸, the current deficit in 1980 would be of the order of \$1.5 billion. This would be almost fully covered by foreign direct investment and real estate investment, for which the annual rate of increase is put at 8 per cent⁶⁹.

It would now be appropriate to consider the implications of a *full employment objective* or at any rate no further deterioration in the labour market. Various projections have been made⁷⁰ taking into account assumptions regarding net emigration and labour force participation rates. Two growth rates for the working population have been selected: 1.3 per cent and 1.1 per cent a year. In both cases it has been assumed that net migration would be nil over the period (with departures equalling returns, whereas in 1975 there was probably a net return flow). With a growth of 1.3 per cent a year in the working population and on an extrapolation of past productivity trends (5.5 per cent a year over the period from 1968 to 1974)⁷¹ the finding is that a GDP growth of 7 per cent a year would be required merely to maintain the unemployment rate at its 1975 level between now and 1980. On the basis of the same assumptions, a 5 per cent growth would entail a steep rise in the number of unemployed. But it is reasonable to think that adjustments will take place (notably in participation rates) and that productivity will decline over the period. For one thing, the service sector's contribution to output and employment should continue to increase. For another, the difficulty of obtaining employment in industry and services should have the effect of slowing down the flow of departures from the agricultural sector, even though the proportion of the working population in that sector remains very high. If the rate of productivity increase were to fall to 4 per cent, a growth of 5 per cent would make it possible to hold the unemployment rate steady. But obviously the decline in productivity would be liable to result in increased pressure on prices.

In view of these considerations, it may well be asked whether it will be possible in the years ahead to continue with the type of growth achieved in the past. In the 1960s the economy was oriented towards rapid industrialisation and vigorous expansion of the private service sector. Investment was channelled primarily into

67 1976 dollars.

68 Both receipts and payments are predicted to increase in real terms by about 10 per cent a year (with the exception of income from investment, which itself is a function of external borrowing). It is assumed that transfers will grow at an annual rate of 5 per cent (also in real terms).

69 Foreign direct and real estate investment in Spain in 1975 was down from 1974. According to the national experts' forecasts, it should return to what is considered a normal level (\$1 billion) in 1977 and then continue to increase at an annual rate of 8 per cent (in constant dollars).

70 See technical annex.

71 If it is chosen to exclude the agricultural sector, where outward migration results in a steep rise in productivity, the average productivity rate from 1968 to 1974 was 4 per cent.

labour-saving plant, which enabled considerable productivity gains to be recorded. But the growth of employment, especially in industry did not keep pace with the rise in the working population, and if unemployment remained on a limited scale it was because of the safety valve provided by emigration. Finally, emigrants' remittances and earnings from tourism served to offset all or most of a trade deficit which is largely structural. In future, emigration can hardly be relied upon to draw off the increase in the working population. Consequently, remittances from Spaniards working abroad will certainly increase less rapidly than in the past, and it is unlikely that the growth of earnings from tourism will be as brisk in future as it was in the 1960s. From 1962 to 1973 the number of tourists visiting Spain rose from 9 million to 35 million a year⁷², an annual increase of 13 per cent. Peseta earnings from tourism rose during the same period at an annual rate of 18 per cent.

Economic policy conclusions

The upswing in activity which began in the second half of 1975 should continue throughout 1976, but it will probably be accompanied by strong upward pressure on prices and a large external deficit. Moreover, it seems clear that this recovery will not suffice to resolve the employment problem and at most may prevent it from growing any worse. These forecasts are clouded by numerous uncertainties, most of which are not of a strictly economic nature (future development of institutions and of the social climate). In the strictly economic context, however, there are also some elements of uncertainty. In particular, there is a significant possibility that the pace of inflation will accelerate. Indeed, wage demands might well increase and, given an even moderate recovery, businessmen might pass on to prices a higher proportion of the rise in their costs (wage costs and import prices) in order to rebuild their profit margins, which have been heavily eroded by the recession and by the rise in wage costs. A price/wage spiral would then develop which would certainly aggravate the balance of payments and employment situation. The government will have to allow for this major risk in its economic policy during 1976. But at the same time it will have to take steps to avoid a further deterioration in the labour situation and try to limit the consequences which such a development could have.

Although in the *short term* the Spanish authorities have limited room for manoeuvre, a number of adjustments and shifts seem possible, and desirable. Concerning *fiscal policy*, full use should certainly be made of the appropriations earmarked for the short-term intervention fund—the actual amount of which is still very limited. It might also be possible to start up additional public works projects, which would have the advantage of producing substantial employment effects (certain decisions along these lines have already been taken). But fiscal measures should also be directed towards helping those who are unemployed. The present system of unemployment cover affects but a relatively small proportion of the nation's jobless, and the benefits paid out guarantee the recipients only a very low level of income (about 100 per cent of the basic wage, which is well below average earnings). Furthermore, it would also be desirable to improve the supervisory arrangements in this area. Admittedly, these various expenditures might put the budget in deficit (whereas the budget originally presented for 1976 provided for a slight surplus), but this would seem to be quite admissible in an economy which is operating well below capacity.

In present circumstances it would seem appropriate to combine selective budgetary measures sustaining employment with a still cautious monetary policy. Given the risk of accelerating inflation and the probability of a large current external

72 This last figure is roughly that of the Spanish population in the same year.

deficit, it is important to avoid both rapid growth of the money supply and unreasonably low interest rates which, in certain cases, are strongly negative in real terms. There is a danger, in particular, that too ample domestic liquidity and unfavourable differentials between domestic and foreign interest rates would create de-stabilising capital outflows. Apart from cautious monetary management overall, there are problems concerning the distribution of credit. It is planned to accelerate markedly this year the rapid expansion of loans by official lending institutions. These are financed from Treasury funds and advances of the Bank of Spain and are destined largely for support of agriculture, export credits, or financial help to a few branches of industry. As growth of credit by the banking sector is planned to decelerate, the marked shift in credit flows risks producing distortions and strains on particular sectors. This approach in the Government's credit policies seems arguable.

With prices likely to rise rapidly despite the expected slow growth of activity, the question arises whether specific policies concerning prices and incomes could usefully supplement demand management. The possibilities for action of this nature appear, however, limited for the near future. Budget subsidies and cuts in indirect taxes on a few basic products may help somewhat in slowing down the price-wage spiral. As a counterpart, taxes on less essential goods could be raised, as proposed recently by the Government. The continuation of selective price controls may also play some temporarily useful role. But previous experience with price controls, and even more with norms for maximum wage increases, has not been successful. With multiple causes of cost-push inflation in operation, only wide-ranging agreements of the two sides of industry on price and income restraint would stand a chance of success, but the institutional framework for representation and negotiation is lacking.

With regard to the balance of payments, some reduction of the current deficit can be expected in 1976 thanks, in particular, to the recovery of economic activity in major OECD countries and the recent depreciation of the peseta. The decision taken in February to lower the official levels of intervention in the exchange markets was justified both by domestic cost and price developments and by movements of other exchange rates. In the framework of world-wide floating of currencies, a more flexible adjustment of the average effective rate would seem preferable: the inevitable effects of the depreciation on domestic prices risk being amplified by the reactions of economic agents in the case of abrupt fluctuations. In any event, the current deficit is likely to remain substantial this year. Among other appropriate methods of finance, it would seem reasonable to allow a gradual utilisation of official reserves which would also be consistent with the aim of a relatively slow growth of domestic liquidity.

The balance of payments problem, like other basic aspects of the economic situation, cannot be considered merely in a short-term context. It was pointed out earlier that there are structural elements behind the sharp increase of the trade deficit in recent years, and that the expansion of invisible receipts in the future is unlikely to be as rapid as in earlier years. Specific policies can be envisaged for maintaining high receipts from services and transfers—for instance, measures to increase the proportion of high-income tourism, or special incentives for emigrant workers' deposits with domestic credit institutions. But efforts to limit the size of the trade deficit could be more important. Last year's trade deficit on food and agricultural products was of the order of \$1 billion. Correction of this situation should be possible in a country where agriculture accounts for over 23 per cent of total employment, but this may involve considerable reforms in agricultural policies. The sharp increase of the "oil deficit" since 1973 points clearly to the need for further energy-saving measures, including a sufficient adjustment of the relative prices of energy. But the improvement of the trade account depends also on the effectiveness of general economic policies in preventing inflationary pressures

and in promoting the development of internationally competitive industries.

As in some other countries, the balance of payments and the risk of high inflation may represent important constraints on the feasible rate of economic growth in the medium-term, and point to the risk of lasting high unemployment. The employment problem is particularly difficult in Spain as it is unlikely that net emigration of workers could again become significant during the next few years. A relatively high rate of growth would be required to absorb the considerable unemployment—open and disguised. Whether this will be realised will partly depend on the overall expansion of world economic activity and trade. But the pattern of economic growth will also be important and this will depend to a greater extent on domestic economic policies. The rapid expansion of Spanish industry since the early 1960s has been associated with capital—deepening investment. This was to a large extent necessary for the technological renovation of antiquated capital equipment; but it was also encouraged by artificially low interest rates and other policies distorting relative factor prices. The changed conditions in the labour market seem to call for reconsideration of these policies. In this regard, it will be necessary to promote both high-technology investment, so as to keep Spanish products competitive on foreign markets over the medium term, and employment-sustaining investment. In view of the external constraints that exist, this will necessitate a higher rate of domestic saving.

Job-creation in the medium-term could also be favoured by certain measures which at the same time would meet general social and welfare aspirations. For example, reduction of excessive working hours in industry and services⁷³; increase of the school-leaving age with greater emphasis on vocational training; and expansion of both capital and current public expenditure on education, health and social services⁷⁴. Since such measures imply large increases in public expenditure, they would make more urgent the need of fiscal reform to raise revenue substantially in an equitable manner. Earlier OECD reports have pointed to the comparatively very low tax-GDP ratio in Spain and to the inadequacies in the structure of tax revenue. But a fiscal reform of this nature is only conceivable as part of an overall economic policy. It is clear that employment, growth and balance of payments goals for the medium term can only be considered in conjunction with eventual changes in general economic policies and parallel institutional reforms.

73 Legislation has recently been passed reducing the statutory working week to 44 hours.

74 Pensions were raised (by about 30 per cent) in May 1976.

TECHNICAL ANNEX

In Part IV of the survey a number of medium-term issues are discussed together with some of the main hypotheses that can be advanced for the trend in the balance of payments and in employment between now and 1980. These hypotheses are analysed in greater detail in the paragraphs that follow.

A Balance of payments

Table 10 in the text shows what rates of export growth would be required in order to achieve one or other of the targets that have been set in advance. On the basis of a given growth rate for GDP (3, 5 or 7 per cent year on year for the period from 1976 to 1980) and the complementary hypotheses as to import/GDP elasticity (1.2 and 1.4 respectively), the Secretariat has calculated the amount of imports in 1980 at 1976 prices. Subsequently, each given hypothesis for the trade balance is automatically matched with a certain rate of export growth in volume terms.

These hypotheses are built on the premise that the terms of trade will remain unchanged at their 1976 level over the period from 1976 to 1980, whereas previously there was a slow improvement during the years from 1962 to 1973 followed by a sharp deterioration in 1973-75¹ which will probably continue in 1976. It is extremely difficult to foresee how Spain's terms of trade will move between now and 1980. As a very approximate estimate, however, each point of improvement in the terms of trade would theoretically result in a reduction of the trade deficit of approximately 0.1 per cent of GDP.

Table A1 Current balance in 1980: hypotheses concerning invisibles and prices

	1975	1976	1976-80	1976-80	1980	1980
	Current prices		Volume	Prices	At 1976 prices	At current prices
Exports						
goods, fob	447	581	(1)	6		
tourism	200	243	4	10	284	416
other services	125	157	8	8	214	291
income from investment	46	54	—	6	54	68
Total	818	1 035				
Imports						
goods, fob	865	1 040	2	6		
services	160	192	2	8		
income from investment	59	90	3	6	98	124
Total	1 084	1 322				
Transfers	66	77	—	8	77	105
Current balance	-200	-210				
GDP		6 884	(3)	8		

¹ See Table 10.

² See Table 10: three growth rates for GDP were selected (3 per cent, 5 per cent and 7 per cent) and two import/GDP elasticities (1.2 and 1.4).

³ 3 per cent, 5 per cent or 7 per cent a year.

Source: Secretariat estimates.

Table A1 shows the hypotheses selected in regard to invisibles. It should be stressed, however, that the choice made was highly speculative. On the tourism account, a deceleration in volume terms has been assumed together with a more rapid rise in prices than for merchandise and the GDP price deflator. With regard to the other services, a relatively high rate of growth has been assumed for exports and a variable rate (the same as for merchandise) for imports. Finally, it has been

1 On the basis of 1962 = 100, the terms-of-trade index was 106 in 1973 and 85 in 1975.

Table A2 Current balance as a percentage of GDP in 1980

Hypotheses ¹	GDP: 3 per cent		GDP: 5 per cent		GDP: 7 per cent	
	'76 prices	'80 prices	'76 prices	'80 prices	'76 prices	'80 prices
Unchanged trade deficit ²	-2.8	-2.0	-3.4	-2.6	-3.9	-3.2
Reduced trade deficit ³	-0.1	0.6	-0.7	-0.1	-1.2	-0.7

1 An import/GDP elasticity of 1.4 has been assumed. The hypotheses regarding volume of exports are the same as those in Table 10 and the complementary hypotheses concerning prices are those of Table A1.

2 As a percentage of GDP during the period from 1976 to 1980 (6.7 per cent of GDP).

3 Progressive reduction from 6.7 per cent of GDP in 1976 to 4 per cent of GDP in 1980.

Source: Secretariat estimates.

assumed that income from investment will deteriorate steadily inasmuch as the current deficit is financed by increased borrowing abroad. The unchanged level of emigrants' remittances in volume terms reflects the assumption that net emigration will be nil during the period from 1976 to 1980 (see further on). On the basis of these hypotheses, the Secretariat has estimated the outturns on the 1980 current transactions account that would correspond to the different rates of GDP growth envisaged. The results of these calculations are summarised in Table A2.

B Employment

In view of the high rate of economic growth, job creation in Spain from the beginning of the 1960s was relatively moderate, despite an acceleration at the end of the decade. The lack of a really marked improvement on this front was basically attributable to two factors: the fall in employment in agriculture and the high rate of productivity in industry. On the other hand, employment in services rose rapidly. Over the same period the working population showed little increase². The fall in female participation rates due to the decline in agricultural employment, the lengthening of compulsory schooling and the lowering of the retirement age each contributed to the decrease in the overall participation rate. Furthermore, there was a proportional decline in the population of working age (15 to 65), from 64.2 per cent of the total population in 1960 to 62.5 per cent in 1970. All told, the labour force participation rate fell from 38.7 per cent in 1960 to 35 per cent in 1970. Despite these trends, the growth of employment was not sufficient to absorb the potential working population. According to official estimates, about 660,000 persons (working and non-working) emigrated between 1960 and 1973, the outward flow being particularly heavy in the first half of the 1960s.

Some of the factors which account for the small increase in the working population during the 1960s (notably the raising of the school-leaving age) should exert a much smaller spontaneous influence in the 1970s. On the other hand, despite the probability of continuing migration from

Table A3 Employment and productivity

	1974	Employment ¹			Productivity		
		Year-on-year change					
		1960-74	1960-68	1968-74	1970-74	1960-68	1968-74
Total	100.0	0.9	0.7	1.1	6.2	7.0	5.5
Agriculture	23.1	-3.5	-2.9	-3.9	6.9	6.7	7.4
Industry	27.1	1.5	1.8	0.8	7.7	8.3	7.1
Construction	9.7	3.4	3.1	3.8	5.3	8.0	1.8
Services	40.2	3.8	3.3	4.6	3.3	4.1	2.2

1 Employed population, calculated by the INE as the difference between the labour force (which differs from the labour force as based on the census figures) and the jobless total quoted in the unemployment series "paro estimado". The level of employment shown above is therefore distinctly higher than that established by the survey of the labour force. It is the latter which is used in the projections in Table A4.

Source: Secretariat estimates.

2 According to the censuses, the working population showed virtually no change between 1960 and 1970 and there was an absolute fall in the female labour force. If the findings of the INE survey are taken as the reference for 1970 instead of the census figures, the growth of the working population between 1960 and 1970 averaged 0.7 per cent a year.

rural to urban areas, there is likely to be a rise in the participation rate of women (who accounted for about 33 per cent of the population of working age in 1974). Furthermore, a projection of the present age pyramid to 1980 shows a proportional growth of the population aged 15 to 65 and of the age groups in this range which have the highest participation rates. In recent years there has been a steady increase in the rate of growth of the working population, from 1 per cent in 1971 to 1.1 per cent in 1972, 1.2 per cent in 1973 and 1.3 per cent in 1974.

Over the next five years the rate of spontaneous growth (i.e. the increase in the size of the population aged between 15 and 65 in relation to the total population) should be 1.1 per cent, or 1.3 per cent if it is assumed that the female participation rate will rise by one point³. In fact, the results for 1980 deriving from one or other hypothesis are very similar. Much more than on the rate of growth of the working population, the level of employment and of unemployment in 1980 will depend on economic growth and productivity prospects and on migration flows. These flows will be conditioned as much by economic and institutional developments in the host countries as by domestic activity. This is why it has been assumed, as a technical hypothesis, that net emigration will be nil and that there will be no large return flows⁴. Even then, it is clear that simply to maintain the unemployment rate⁵ at its 1975 level (3.8 per cent) would require an appreciable rate of GDP growth.

Table A4 Growth and employment
Average annual rate of increase, 1975-80

Labour force	1.3	1.1	1.3	1.1
Productivity	5 $\frac{1}{2}$	5 $\frac{1}{2}$	4	4
GDP ¹	7	6 $\frac{1}{2}$	5 $\frac{1}{2}$	5

1 Rate of GDP growth consistent with holding the unemployment rate for 1980 to its 1975 level (3.8 per cent of the working population), in accordance with the alternative hypotheses for growth of the working population and of productivity.

Source: Secretariat estimates.

3 A more precise analysis would require the projection of narrower age groups, which would probably result in a higher average participation rate.

4 According to host country statistics, the resident Spanish population in 1974 was 550,000 in France, 273,000 in Germany and 122,000 in Switzerland.

5 Temporarily unemployed persons (120,000 in 1975) being included in the employed population.

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STATISTICAL ANNEX

Table A National Accounts¹
Billion pesetas

	Current prices					1970 prices				
	1970	1971	1972	1973	1974	1970	1971	1972	1973	1974
1 EXPENDITURE										
1 Consumers' expenditure	1 730.2	1 953.4	2 291.8	2 739.7	3 365.4	1 730.2	1 808.5	1 964.8	2 113.3	2 235.4
2 Government current expenditure	224.3	256.3	296.7	361.4	456.0	224.3	236.5	248.4	267.6	283.2
3 Gross domestic fixed asset formation	599.8	621.4	766.9	981.7	1 238.5	599.8	583.4	675.0	771.3	805.6
(a) Construction	362.8	387.8	465.7	597.0	782.7	362.8	358.7	402.9	448.2	473.8
(b) Machinery and equipment	237.0	233.6	301.2	384.6	455.8	237.0	224.6	272.1	323.1	331.8
4 Changes in stocks	50.0	63.6	77.3	96.1	139.4	50.0	61.1	69.8	80.6	102.1
5 Exports of goods and services	339.0	408.5	480.7	592.2	708.9	339.0	383.7	423.5	469.6	462.1
6 less: Imports of goods and services	368.0	392.4	495.4	638.8	967.6	368.0	374.6	452.6	527.3	552.8
7 Gross domestic product at market prices	2 575.3	2 901.7	3 418.0	4 132.3	4 940.6	2 575.3	2 698.6	2 928.8	3 175.2	3 335.5
2 INDUSTRIAL ORIGIN										
1 Agriculture, forestry and fishing	285.1	326.8	364.9	434.2	461.2	285.1	302.8	306.1	318.7	323.7
2 Industries	743.7	831.8	1 003.5	1 211.4	1 478.5	743.7	790.0	906.3	1 003.9	1 061.0
3 Construction	212.0	226.4	263.3	337.6	432.1	212.0	209.6	229.0	248.4	260.6
4 Services	1 183.6	1 374.8	1 599.6	1 911.6	2 324.1	1 183.6	1 246.1	1 323.6	1 437.3	1 511.7
5 GDP at factor cost	2 424.4	2 759.8	3 231.3	3 894.8	4 695.9	2 424.4	2 548.5	2 764.9	3 008.3	3 157.0

¹ The National Statistics Institute (INE) has carried out a general revision of the Spanish national accounting system. The base year was changed (from 1964 to 1970) and so were the accounting methods, which are now very close to those of the ESA (European System of Integrated Economic Accounts). In the new base, the level of GDP has been revised upwards by about 17 per cent. Private consumption and gross fixed asset formation have been adjusted upwards considerably, whilst exports and imports have been revised downwards. The new accounts integrate general government transactions more closely and reflect the improvements made to the Spanish Statistical system.

Source: National Institute of Statistics.

Table A National Accounts (contd)
Billion pesetas

	1970	1971	1972	1973	1974
3 NATIONAL INCOME					
1 Compensation of employees	1 245.6	1 443.5	1 753.8	2 136.6	2 661.7
Gross wages and salaries	1 077.4	1 238.2	1 502.8	1 831.7	2 280.9
Employers' contributions to social security	168.3	205.3	251.0	304.9	380.8
2 Property and entrepreneurial income net	932.1	1 049.0	1 190.4	1 436.3	1 640.5
Households and private non-profit institutions ¹	745.5	831.9	942.1	1 121.3	1 278.8
Corporate and quasi-corporate, before tax	164.9	202.1	235.3	295.7	337.1
General government	37.5	31.4	32.0	45.0	50.1
less: Interest paid by general government	15.9	16.4	19.0	25.7	25.5
3 NET NATIONAL INCOME AT FACTOR COST	2 177.7	2 492.5	2 944.1	3 572.8	4 302.1

¹ Excluding interest on consumers' debt.
Source: National Institute of Statistics.

Table B Employment and Wages

	1973	1974	1975	1973				1974				1975			
				I	II	III	IV	I	II	III	IV	I	II	III	IV
1 UNEMPLOYED¹ (in thousands)															
1 Agriculture	31.4	29.0	42.9	40.9	30.5	24.1	30.1	30.1	25.2	24.0	36.7	45.1	34.8	36.1	55.5
2 Construction	51.6	55.6	116.6	63.3	54.7	45.5	41.0	45.8	47.9	54.2	74.4	99.8	108.2	118.7	139.7
3 Industry and services	97.4	97.7	153.3	108.7	100.5	93.0	87.3	89.0	91.1	97.0	113.5	142.2	148.2	151.6	171.2
4 Total	180.4	182.3	312.8	212.9	185.7	164.6	158.4	164.9	164.2	175.2	224.6	287.1	291.2	306.4	366.4
2 STATISTICS FROM THE QUARTERLY LABOUR EARNINGS SURVEYS % change over the same period a year earlier															
1 Average hourly earnings	19.8	26.6		18.3	20.0	19.1	21.1	23.9	25.6	28.7	27.9	34.3	26.7	33.4	
2 Total wage bill	19.4	28.6		17.2	19.0	18.4	22.4	26.4	28.0	31.5	28.2	28.6	23.2	25.9	

¹ Ministry of Labour estimates on the basis of the number of registered unemployed

² These surveys cover 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
EMIGRATION (in thousands)

	1970	1971	1972	1973	1974	1975
1 Departures to Europe	97.6	113.7	103.9	96.0	50.7	20.6
of which to: France	22.7	24.3	21.8	11.6	5.6	1.8
Germany	40.7	30.3	23.3	27.9	0.2	0.1
Switzerland	26.8	51.8	55.8	53.3	42.0	18.0
2 Net emigration overseas ¹	5.8	5.7	4.9	4.6	4.2	

¹ From 1972, emigration only.

Source: National Institute of Emigration.

Table D Public Sector Accounts
National accounts definitions

	1970	1971	1972	1973	1974
1 GENERAL GOVERNMENT (billion pesetas)					
1 Direct taxes	93.1	113.0	131.7	164.8	204.7
2 Indirect taxes	210.7	230.1	276.2	348.0	377.0
3 Social Security contributions	163.7	201.2	262.5	327.8	412.7
4 Other current receipts	60.1	58.2	68.4	82.2	105.2
5 Total current revenue	527.6	602.5	738.8	922.8	1 009.6
6 Current expenditure on goods and services	260.8	302.2	358.4	443.5	539.7
7 Current subsidies and transfers	170.2	218.0	251.7	313.6	398.0
8 Total current expenditure	431.0	520.2	610.1	757.1	938.0
9 Net current saving (5—8)	96.7	82.3	128.6	165.7	161.6
10 Capital account receipts	10.9	11.4	14.7	17.0	19.9
11 Less: Gross investment	69.0	92.6	91.7	101.2	123.4
12 Less: Capital transfers	30.5	25.7	33.5	35.7	45.3
13 Total capital expenditure	99.5	117.4	125.2	136.9	168.7
14 Overall financial surplus (+) or deficit (—)	+8.0	-24.6	+18.1	+45.8	+12.8
2 CENTRAL GOVERNMENT (billion pesetas)					
1 Fiscal revenue	283.4	320.1	381.6	481.8	544.5
2 From property and entrepreneurship	29.9	22.9	23.2	34.8	48.0
3 Current transfers	8.6	9.6	11.9	12.3	15.8
4 Fees, etc.	6.7	9.6	14.2	12.3	14.4
5 Total current revenue	328.6	362.1	430.9	541.2	622.7
6 Goods and services	144.8	162.7	186.0	224.7	270.9
7 Current transfers	70.5	79.9	85.4	97.1	135.5
8 Subsidies	27.5	41.1	44.6	54.8	70.3
9 Other	12.7	14.0	15.2	21.3	19.8
10 Total current expenditure	255.5	297.7	331.2	397.9	496.5
11 Saving (5—10)	73.1	64.4	99.7	143.3	126.2
12 Capital taxes	4.3	5.0	6.5	8.0	9.0
13 Capital transfers	0.1	—	0.1	—	—
14 Total capital resources (11 to 13)	77.5	69.5	106.3	151.3	135.2
15 Gross fixed capital formation	35.7	49.9	39.5	43.2	51.5
16 Capital transfers	36.3	42.0	56.7	62.1	75.8
17 Other	3.2	4.4	2.0	2.2	2.4
18 Total capital uses (15 to 17)	75.3	96.3	98.2	107.5	129.7
19 Overall financial surplus (+) or deficit (—) (14—18)	+2.2	-26.8	+8.1	+43.8	+5.5

Source: Ministry of Finance: Public Sector Accounts.

Table D Public Sector Accounts (contd)
National accounts definitions

	1970	1971	1972	1973	1974
3 LOCAL GOVERNMENT	<i>(billion pesetas)</i>				
1 Fiscal revenue	16.7	19.4	21.2	24.2	27.6
2 From property and entrepreneurship	3.2	3.8	4.1	5.1	5.4
3 Current transfers	27.1	30.4	32.2	36.5	47.4
3.1 from Central Government budget	(26.9)	(30.3)	(32.0)	(36.3)	(47.1)
4 Other	2.1	1.7	2.4	3.1	5.2
5 Total current revenue (1 to 4)	49.0	55.3	59.9	68.9	85.6
6 Goods and services	34.2	40.0	41.5	47.4	66.0
7 Current transfers	2.2	2.4	2.7	3.3	4.5
8 Other	2.6	3.4	4.2	5.0	6.1
9 Total current expenditure (6 to 8)	39.1	45.8	48.4	55.7	76.6
10 Saving (5-9)	9.9	9.5	11.5	13.2	9.0
11 Capital taxes	6.1	6.3	8.2	9.0	10.9
12 Capital transfers	0.5	0.8	0.7	1.0	1.0
13 Total capital resources (10 to 12)	16.6	16.6	20.4	23.2	20.9
14 Gross fixed capital formation	13.4	17.3	21.8	26.6	32.0
15 Capital transfers	0.1	0.1	0.1	—	—
16 Other	0.9	1.7	1.2	1.5	2.9
17 Total capital uses (14 to 16)	14.4	19.1	23.1	28.1	34.9
18 Overall financial surplus (+) or deficit (-) (13 less 17)	+2.2	-2.5	-2.7	-4.9	-14.0
4 SOCIAL SECURITY INSTITUTIONS	<i>(billion pesetas)</i>				
1 Social security contributions ¹	163.7	201.2	262.5	327.8	412.7
2 Transfers	9.0	15.1	19.6	23.4	38.8
3 Other current receipts	5.2	5.3	5.4	5.6	5.6
4 Total current receipts	178.0	221.6	287.5	356.8	457.1
5 Current expenditure on goods and services	53.7	67.1	94.1	124.9	155.5
6 Benefits ¹	108.6	143.3	172.6	219.2	274.7
7 Current subsidies and transfers	1.2	1.8	0.2	1.3	-2.0
8 Total current expenditure	163.6	212.3	266.9	345.4	428.2
9 Net current saving ¹	14.4	9.3	20.6	11.4	28.9
10 Gross investment	5.6	6.2	7.9	9.2	12.8
11 Overall financial surplus (+) or deficit (-) ²	+9.2 ²	+3.2	+12.7	+2.2	+16.1

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 377 millions of capital transfers.

Source: Ministry of Finance; Public Sector Accounts.

Table E Fiscal Receipts
Billion pesetas

	1970	1971	1972	1973	1974	1975	1975	1976
	Actual						Forecast	
I DIRECT TAXES:								
1 Tax on income from agricultural property	1.2	1.6	1.7	1.6	1.8	1.9	2.2	2.5
2 Tax on income from urban property	4.5	5.3	6.3	7.6	10.2	12.1	13.1	14.7
3 Tax on salaries and professional earnings	21.4	27.4	34.7	48.9	69.8	93.2	74.1	96.5
4 Tax on income from capital	8.6	10.5	11.8	14.5	15.9	25.2	21.0	45.0
5 Corporation tax	27.3	31.7	37.2	45.8	57.5	69.4	64.4	77.3
6 Tax on business licences and on personal profits	9.8	11.0	12.6	13.1	16.9	21.1	20.3	23.2
7 Surtax on personal incomes	3.3	4.0	5.0	6.2	5.7	7.8	9.0	10.5
8 Inheritance and estate tax	3.9	4.5	5.7	7.0	8.3	9.5	9.5	10.2
9 Other	2.0	2.6	2.6	2.8	3.4	6.2	5.7	7.6
TOTAL DIRECT TAXES	82.0	98.6	117.6	147.5	189.5	246.4	219.3	287.5
II INDIRECT TAXES:								
1 Custom duties and fiscal duties on imports	28.5	24.2	32.0	42.3	44.5	50.2	49.1	50.1
2 General tax on expenditure ¹	59.8	68.9	78.8	92.3	111.3	111.6	134.5	141.6
3 Luxury taxes	38.9	43.7	49.7	63.2	68.4	80.3	90.3	90.3
4 Fiscal monopolies	23.4	21.8	26.6	35.2	9.0	23.9	14.2	39.5
5 Transaction taxes and stamp duties	22.9	25.7	32.0	41.4	53.0	60.6	66.9	73.1
6 Other	0.6	0.6	0.6	0.4	0.6	0.4	0.1	0.1
TOTAL INDIRECT TAXES	174.1	184.9	219.7	274.8	286.8	327.0	355.0	394.7
TOTAL TAXES	256.1	283.5	337.3	422.3	476.3	573.4	574.3	682.2

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

	1973				1974				1975				Out- standing as at 31 Dec. 1975
	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	-17.0	85.9	42.1	151.8	-38.7	74.3	12.8	198.0	-101.4	100.1	62.5	246.2	1 955.8
2 Quasi-money	96.2	104.7	127.1	125.9	97.9	94.0	109.1	157.5	134.7	94.8	140.4	151.6	3 275.0
3 Total	79.2	190.6	169.2	277.7	59.2	168.3	121.9	355.5	33.3	194.9	202.9	397.8	5 320.8
4 Bonds	4.0	5.5	5.7	15.4	15.0	11.7	4.2	7.6	16.3	11.8	5.8	8.0	147.3
Liabilities = Assets	83.2	196.1	174.9	293.1	74.2	180.0	126.1	363.1	49.6	206.7	208.7	405.8	5 378.1
II Assets													
5 Public sector	15.8	-15.0	2.5	4.4	25.6	-5.2	20.8	4.1	23.9	37.2	12.2	-9.5	419.0
(a) Net advances to	16.9	-13.6	0.7	1.7	18.2	1.9	38.8	24.1	30.3	52.6	15.3	1.1	282.5
(i) Central Government	20.8	-14.7	-7.0	6.7	26.1	-8.6	16.4	30.7	34.0	35.7	-2.3	1.5	161.0
(ii) Autonomous Institutions ³	-3.9	1.1	7.7	-5.0	-7.9	10.5	22.4	-6.6	-3.7	16.9	17.6	-0.4	121.5
(b) Purchase of Government bonds	2.1	4.4	6.7	14.7	14.1	4.6	-4.7	-5.4	17.7	8.5	22.0	13.5	581.5
(c) less: Grants to official credit institutions	-3.1	-5.8	-4.8	-12.0	-6.7	-11.7	-13.3	-14.6	-24.2	-23.9	-25.2	-24.1	-445.0
6 Private sector	115.9	188.2	158.2	238.9	138.8	219.7	156.6	343.4	164.1	227.2	213.5	350.2	5 032.5
(a) Advances and bills discounted ²	94.6	165.6	141.9	211.9	121.6	199.8	117.4	295.3	138.0	187.5	162.0	314.5	4 360.6
(b) Bonds and shares ⁴	21.3	22.6	16.3	27.0	17.2	19.9	39.2	48.1	26.2	39.8	51.5	35.7	671.8
7 External sector	14.7	12.4	34.3	1.7	-23.3	-48.6	2.2	-53.0	-48.6	-6.8	-7.5	-47.6	110.3
8 Other assets and liabilities (net)	-63.2	10.5	-20.1	48.1	-66.9	14.1	-53.5	68.6	-89.8	-50.9	-9.5	112.7	-183.7

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)

	1971	1972	1973	1974	1975
2 BANK LIQUIDITY					
<i>Changes, in billion pesetas:</i>					
1 Cash reserves	46.7	10.1	20.8	59.3	19.8
2 Central bank credit received	-37.9	10.2	1.0	75.1	23.6
3 Public securities	53.6	30.2	12.8	28.8	54.3
<i>Ratios to deposits; end of period, per cent</i>					
1 Cash	9.3	7.9	7.1	8.1	7.5
2 Public securities	19.8	17.2	14.1	12.8	12.6
3 OFFICIAL CREDIT INSTITUTIONS					
<i>(Changes, in billion pesetas)</i>					
<i>Assets:</i>					
1 Cash	6.4	-1.9	0.3	-2.1	2.0
2 Credit to public sector	8.6	8.8	9.4	13.8	18.5
3 Credit to private sector	10.2	-5.4	17.4	48.7	81.4
<i>Assets = Liabilities:</i>	25.2	1.5	27.1	60.4	101.9
4 Transfers from the Treasury	20.5	17.7	25.5	45.9	97.4
5 Advances from the banking system	0.6	-4.8	—	—	—
6 Other (net)	4.1	-11.4	1.6	14.5	4.5
4 CAPITAL MARKET					
<i>Gross Issues (billion pesetas):</i>					
1 Public securities	76.5	64.8	24.8	42.2	
Treasury ¹	68.1	47.5	12.1	27.6	71.3
INI	8.4	17.3	12.7	14.6	
2 Private securities	116.9	156.5	233.7	273.5	295.1
Bonds	43.7	70.4	120.2	129.7	155.0
Shares ²	72.9	86.1	113.5	143.8	140.1
3 Total	193.4	221.3	258.5	315.7	

1 Excluding short-term bills.

2 Excluding issues of paid-up-shares.

Sources: Bank of Spain and National Institute of Statistics.

Table G Balance of Payments
Million dollars

	1970	1971	1972	1973	1974	1975
1 Imports (fob)	4 357	4 577	6 236	8 912	14 334	15 067
2 Exports (fob)	2 483	2 978	3 920	5 367	7 265	7 789
3 TRADE BALANCE	-1 874	-1 599	-2 316	-3 545	-7 069	-7 278
4 Foreign travel	1 543	1 878	2 230	2 878	2 807	3 095
5 Other services	-249	-191	-209	-189	-96	-439
6 Workers' remittances	467	548	599	913	860	1 164
7 Other private transfers	192	224	276	508	370	
8 Official transfers	—	-5	-9	-7	-8	-19
9 Total services and transfers (4 to 8)	1 953	2 454	2 887	4 103	3 933	3 801
10 CURRENT BALANCE	79	855	571	558	-3 136	-3 477
11 Private long-term capital	698	601	934	814	1 427	1 814
12 Official long-term capital	-27	-103	-2	-46	53	612 ¹
13 Total long-term capital	671	498	932	768	1 480	2 426
14 BASIC BALANCE	750	1 353	1 503	1 326	-1 656	-1 050
15 Short-term capital, errors and omissions	66	-98	-135	231	857	957
16 MONETARY MOVEMENTS (increase in assets = —)	-813	-1 257	-1 367	-1 555	799	93
of which:						
17 Changes in reserves	-809	-1 358	-1 496	-1 207	821	137

1 Including the 581 million \$ drawing on the IMF "oil facility".

Source: Ministry of Commerce.

Table H Foreign Trade
Billion pesetas

	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
	1 IMPORTS					2 EXPORTS				
1 Agricultural and food products	62.3	73.7	98.6	139.5	156.9	64.9	70.1	90.6	101.1	100.6
2 Minerals	12.2	15.5	18.7	30.1	31.1	4.0	4.1	4.5	7.6	11.4
3 Oil products	57.0	63.1	72.9	225.5	240.5	8.8	8.9	14.3	27.7	14.6
4 Chemicals, plastics and rubber	43.5	54.7	69.2	103.7	92.1	15.6	18.1	22.9	43.3	39.4
5 Skins and leather	4.5	9.1	9.8	8.4	10.1	4.3	6.2	7.5	9.6	9.9
6 Wood and cork	7.5	9.1	15.6	20.2	13.4	4.0	4.7	5.3	6.9	6.6
7 Pulp, paper and books	8.6	11.3	13.2	20.2	20.2	7.5	9.4	10.1	15.1	16.1
8 Raw cotton, textiles and clothing	14.4	18.9	24.4	31.8	28.5	11.2	15.4	16.6	22.5	22.5
9 Glass and pottery	3.4	4.8	6.9	8.7	8.2	3.9	4.4	5.4	8.1	9.8
10 Metals and metal products	34.3	39.7	50.7	78.4	82.3	19.0	24.4	32.2	38.0	55.2
11 Machinery and appliances	70.3	90.8	116.5	142.5	163.7	22.5	23.9	29.2	44.9	53.8
12 Transport equipment	10.9	21.5	31.9	37.2	32.2	20.9	29.0	35.7	45.5	58.5
<i>of which:</i> Cars, lorries and tractors										
Aircraft (imports) ships	7.3	11.3	17.2	19.5	21.2	8.4	10.1	16.7	21.0	32.1
(exports)	1.2	8.1	11.7	11.8	6.3	10.5	16.7	16.1	22.6	23.4
13 Other	18.5	25.4	33.1	42.5	53.0	19.0	26.6	28.4	37.7	43.0
14 Total	347.4	437.6	561.5	888.7	932.2	205.6	245.2	302.7	408.0	441.4
15 Total less agricultural and food products	285.1	363.9	462.9	749.2	775.3	140.7	175.1	212.1	306.9	340.8

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 ²			General total
	Agr. prod. ¹	Other	Total	Agr. prod. ¹	Other	Total	
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
1975	82.7	212.1	294.8	15.0	131.3	146.3	441.1
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	89.2
IV	30.1	61.6	91.7	5.3	29.2	34.5	126.2
1975							
I	27.8	51.0	78.8	2.6	30.4	33.0	111.8
II	17.7	55.5	73.2	3.8	32.8	36.6	109.8
III	11.6	42.7	54.3	3.8	32.1	35.9	90.2
IV	25.6	62.9	88.5	4.8	36.0	40.8	129.3

1 SITC sections 0.1 and 4.

2 Including unspecified.

Source: Customs Office.

Table I Official Foreign Reserves
Million dollars

	1971		1972		1973		1974		1975	
	June	Dec.								
1 Gold	498	498	541	541	542	602	602	602	602	602
2 Convertible currency	1 625	2 480	3 305	4 138	4 826	5 764	5 170	5 042	4 963	5 064
3 Net IMF position	104	104	113	113	113	125	125	146	—	—
4 Special drawing rights	81	87	140	140	140	155	156	162	156	146
5 Total foreign assets	2 308	2 169	4 099	4 932	5 621	6 646	6 053	5 952	5 722	5 813
6 less: Foreign liabilities	44	17	9	9	3	4	6	8	11	14
7 Official foreign reserves	2 264	3 152	4 090	4 923	5 618	6 642	6 047	5 944	5 711	5 799
Pro memoria										
Non convertible currencies (net)	42	42	18	1	43	32	40	23	62	44

Source: Bank of Spain.

INTERNATIONAL COMPARISONS

BASIC STATISTICS INTERNATIONAL COMPARISONS

			Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia ¹			
POPULATION	Net average annual increase	Mid-1973	13 132	7 521	9 742	22 125	5 027	4 643 ²	52 177	61 967	8 972	212	3 051	54 888 ³	108 350 ⁴	350	13 438	2 932	3 961	8 564	34 730	8 138	6 431	37 930	56 026	210 404	20 960			
		1963 to 1973	1.87	0.48	0.48	1.55	0.71	0.26	0.88	0.77	0.57	1.37	0.68	0.70	1.22	0.77	1.17	1.46	0.77	-0.46	1.06	0.68	1.09	2.49	0.43	1.07	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	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	35.5	40.1	43.3	31.3	33.8	35.7	39.3	49.5	43.0	(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		
			Other	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	2 510	3 760	5 200	4 410 ¹³	4 080 ¹⁷	4 780	1 250	1 750	6 140	6 190	540	3 100	6 170	792 ¹³			
			1973	7.1 ^{9 10 11}	5.8	3.9	5.2 ¹¹	8.2 ¹¹	12.0	6.3	2.9	20.4 ¹¹	2.9	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			
			% 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			
			Other	51.5 ^{9 10 11}	44.1	56.1	58.6 ¹¹	51.9 ¹¹	43.8	...	45.0	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			
GDP ^{7 14} annual volume growth	1968 to 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 ¹⁷	3.7	7.6	7.4	3.3	3.5	4.6	5.3	5.9				
		%	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 ¹⁷	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 ¹⁷	2 530	900	1 170	3 240	3 640	320	1 960	3 840	425 ¹³		
			% of GNP	4.3	4.7	5.4 ¹⁵	8.6	7.0	6.3	4.7	4.0	2.2	4.3	4.3	4.8 ¹⁵	4.3	4.1	4.4	7.3 ¹⁵	4.4 ¹⁶	5.9	2.0	2.4	7.8	4.2	2.9	5.5 ¹⁵	5.4 ¹⁵	4.3 ¹⁶	
			Passenger cars, per 1 000 inhabitants	1971	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	
			Television sets, per 1 000 inhabitants	1972	227	226	236	349 ¹⁰	282	256	237	293	31 ¹⁰	220	173	202	202	225	220 ¹⁰	243 ¹⁰	250	241	63	145	333	239	4	305	474	113
			Telephones, per 1 000 inhabitants	1972	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	
			Doctors, per 1 000 inhabitants	1971	1.25	1.87	1.60	1.50	1.41 ¹²	1.11	1.38	1.71 ¹²	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	10.9	12.5	8.8	7.9	12.1	8.9	12.0	12.4	8.2	8.6	12.2	8.4	8.4	32.1 ²³	..	10.5	8.8	12.8	8.6	9.5	5.8	9.5
Residential construction	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	5.9	6.6	..	5.7	2.7	3.7	5.0	7.1	3.3	3.5	3.5	..	
Other construction	9.7	.. ²⁴				7.3	9.1	6.9	9.4	7.8	8.3 ²⁵	9.5	14.8	7.7	5.5	5.5	9.1	7.5	7.7	9.5	11.2	7.8	6.6	6.5	..	
WAGES/PRICES	Hourly earnings ²⁶	Annual increase 1967 to 1972	%	7.6 ^{27 28}	9.3 ²⁹	10.2	8.2 ²⁷	12.4 ³⁰	11.8	11.3 ³¹	9.3 ²⁷	8.3 ²⁷	18.3 ³²	11.2 ³³	15.6 ³⁴	..	10.4 ³⁵	10.3 ³⁷	10.0 ³⁰	10.2 ³⁸	12.6 ³⁷	9.9 ³⁵	6.5 ³⁹	12.8 ³⁷	9.6 ⁴⁰	6.0 ⁴¹	16.1 ^{36 37}			
			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 ¹⁷	4.3	6.0	5.2	6.0	10.5	6.6	4.4	..	
FOREIGN TRADE	Imports ⁴²	1972	\$ million ⁹	6 180	6 290	14 570	23 130	6 080	3 680	32 070	51 150	2 530	300	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		
			\$ million ⁹	7 500	6 220	15 430	23 750	6 240	3 700	33 760	55 730	1 470	290	1 930	24 040	31 800	1 100	21 320	2 320	6 060	2 220	7 190	10 110	9 720	900 ¹⁰	33 350	62 690	3 480		
			% of GDP ⁷	16.0	30.5	43.4	22.4	29.4	27.5	17.2	21.6	12.0	38.2	35.0	20.4	10.8	81.5	46.1	27.1	39.9	27.1	16.1	24.4	32.7	7.0	21.6	5.3	21.2		
BALANCE OF PAYMENTS	Current balance	1968-72 average	% of GNP	-2.1 ⁹	-0.4	2.5 ⁴⁴	0.0	-2.1	-1.2	-0.2	0.8	-4.2	-3.3	2.1	1.7	..	0.3	1.4	-1.0	3.3	0.5	-0.1	1.3	-0.5	0.8	-0.2				
			Official reserves ⁴³ , end-1973: per cent of imports of goods in 1973	%	88.3	42.4	23.3 ⁴⁴	24.7	17.2	14.8	22.8	60.8	30.1	28.1	36.7	23.1	32.0	..	26.9	119.8	25.3	99.1	70.3	23.9	69.5	102.8	16.7	20.8		
			Change	Nov. 1974 - Nov. 1975	Mill. SDR's	-182	906	445 ⁴⁴	-179	61	-155	2 986	-487	46	121	-847	-317	..	96	202	169	-661 ⁴⁵	4 ⁴⁵	1 128	806	-619	-1 752	751		

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 at current prices.
8 At current prices and exchange rates.
9 Fiscal year-Beginning July 1st.
10 1971.
11 GDP at factor cost.
12 1970.
13 1972.
14 At constant (1970) prices.
15 1969.
16 1968.
17 Fiscal year-Beginning April 1st.
18 Excluding transfer costs of land and existing assets.
19 Excluding ships operating overseas.
20 1965-1969.
21 1967-1971.
22 Government and government enterprise expenditure on machinery and equipment is included in government current expenditure.
23 "Other construction" included under "machinery and equipment". Work in progress on heavy equipment and ships for the domestic market are included in fixed asset formation.
24 "Other construction" included in "residential construction".
25 Including transfer costs of land.
26 Industry.
27 Manufacturing.
28 Males.
29 Monthly, wage earners.
30 Mining and manufacturing, males.
31 Hourly rates in manufacturing.
32 Hourly wages rates, unskilled workers.
33 Hourly rates in manufacturing, excluding family allowances.
34 Monthly earnings in manufacturing. Cash payments including bonuses, regular workers.
35 Hourly rates in industry, males.
36 Monthly.
37 Manufacturing, including salaried employees.
38 Mining and manufacturing.
39 Hourly rates.
40 Hourly rates in manufacturing, males.
41 Manufacturing, gross earnings per production worker.
42 Goods and services, excluding factor income.
43 Including reserve position in the IMF and special drawing rights.
44 Including Luxembourg.
45 October 1974 - October 1975.

Note: Figures within brackets are estimates by the OECD Secretariat.

Sources: Common to all subjects and countries, except Yugoslavia (for special national sources see above): OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Balance of Payments, Observer, Statistics of Foreign Trade (Series A); Office Statistique des Communautés Européennes, Statistiques de base de la Communauté; IMF, International Financial Statistics; UN, Statistical Yearbook.

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