

OECD  
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ITALY

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

JULY 1971

# BASIC STATISTICS OF ITALY

## THE LAND

Area (1 000 sq. km)	301.3	Major cities (end 1969)	Thousands
Agricultural area (1 000 sq. km)	212.3	Rome	2 731
Woodland (1 000 sq. km)	61.5	Milan	1 702
		Naples	1 277
		Turin	1 177

## THE PEOPLE

Resident population in end-1970 (thous.)	54 683	Labour force (1970)	Thousands
No. of inhabitants per sq. km	181	Employment (1970)	19 571
Net natural increase in population:		in agriculture	18 956
Annual average 1963-1970 (thous.)	461	in industry	3 683
Net rate per 1 000 inh. (1963-1970)	8	in services	8 209
		Net emigration (average 1963-1970)	7 064
			50

## PRODUCTION

Gross National Product in 1970 (billions of lire)	58 244	Domestic product in 1970 (at factor cost):	
GNP per head in 1970 (US \$)	1 704	Agriculture	11.6
Gross fixed capital formation:		Industry	35.1
Per cent of GNP in 1970	20.3	Construction	6.6
Per head in 1970 (US \$)	387	Services	46.8

## THE GOVERNMENT

Public consumption in 1970 (percentage of GNP)	12.7	Internal public debt (Ratio to central government, current revenue in 1970)	93.4
Current public revenue of general government in 1970 (percentage of GNP)	32.3	General government investment in 1970 (percentage of total investment)	10.4

## LIVING STANDARDS

Meat consumption, kg per year, per head (1969)	48	Steel consumption, kg per year, per head (1970)	382
Gross average hourly wage of industrial workers in 1970 (lire)	818	Nos. per 1 000 inhabitants, 1969:	
Energy production, kWh, per year, per head 1970)	2 151	Telephone sets	157
		TV sets	166
		Cars	166

## FOREIGN TRADE

Exports of goods and services as a percentage of the GNP (average 1969-1970)	24	Imports of goods and services as a percentage of the GNP (average 1969-1970)	22
Main exports average (1969-1970 percentage of total exports):		Main imports (average 1969-1970 percentage of total imports):	
Machinery	28	Foodstuffs	19
Fabrics and textile goods	12	Machinery	18
Chemical products	12	Metals, ores and scrap	15
Foodstuffs	9	Crude oil	12
Motor vehicles	9	Chemical products	9

## THE CURRENCY

Monetary unit: Lira	Currency units per US dollar	625
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# ITALY

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

*The Organisation for Economic Co-operation and Development (OECD) was set up under a Convention signed in Paris on 14th December, 1960, which provides that the OECD shall promote policies designed:*

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

*The Members of OECD are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.*

*The Socialist Federal Republic of Yugoslavia is associated in certain work of the OECD, particularly that of the Economic and Development Review Committee.*

The annual review of Italy by the OECD  
Economic and Development Review Committee  
took place on 25th June 1971.

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## INTRODUCTION

During the eighteen months following the "wage explosion", which concluded the widespread strikes of late 1969, industrial output has been virtually stagnant and domestic demand has become progressively weaker. Although real GNP increased by about 5 per cent for 1970 as a whole, it showed hardly any rise between the first and the fourth quarters, and current indicators point to continued stagnation up to the spring of 1971. Complex factors, partly of a non-economic nature, were responsible for these somewhat unexpected developments. Persistent work stoppages and other forms of labour unrest have obstructed the rise of output and limited the rise of household incomes despite the large increase in negotiated wage rates; a decline in housebuilding activity, due to special factors, has imparted a significant deflationary influence; and the reduction of profits (especially of smaller firms) together with confidence factors have contributed to the progressive weakening of business investment.

In other respects developments have been more favourable. Price increases, although appreciable, have been less important than might have been expected from the sharp rise in costs. The current external surplus, though much reduced, was still some \$ 800 million in 1970, the equivalent of almost 1 per cent of GNP. Moreover, thanks largely to successful policy measures, the large outflow of capital, entailing a marked deterioration of the global balance of payments, was reversed after the summer of 1970 so that official reserves rose considerably until the most recent period.

The short-term outlook is subject to the uncertainties concerning the social climate, but also to the adoption of expansionary measures now being considered by the Government. Provided that conditions of production become less unsettled, it seems likely that expansionary policies (favouring investment in particular) could bring the economy back to a high rate of growth without too long delay. This would facilitate implementation of some of the forthcoming social and economic reforms.

The present Survey describes, in Part I, current economic developments up to the early months of 1971. The effects of fiscal and monetary policies over the last year or so are examined in Part II. The following section discusses the underlying position of the economy in the spring of 1971 and examines short-term prospects and the most recent policy measures. Part IV gives some background to a number of bills aimed at structural reforms, which are in the process of parliamentary approval. The last section puts forward policy conclusions.



## I CURRENT ECONOMIC DEVELOPMENTS

### *Output and demand*

The 1970 OECD Survey of the Italian economy (published in July) assumed the resumption of fairly rapid expansion in the second half of the year which would continue in 1971. The Government's annual Forecasting Report (submitted to Parliament in September) made similar forecasts. It was, indeed, generally expected that the recuperation effects after the widespread strikes of the autumn of 1969 and the boost to demand from the large wage settlements would produce a strong rise of real output albeit with increasing pressures on prices. In the event, these forecasts were not realised. For 1970 as a whole, the volume increase of GNP is estimated at 5.1 per cent compared with 5.9 per cent for 1969<sup>1</sup>. A less favourable agricultural year and the reversal of the housebuilding boom were partly responsible for the slower growth. But the increase of industrial output was much lower than expected in view of its sharp fall at the time of the 1969 strikes. Domestic demand did accelerate somewhat in real terms, but its expansion was partly matched by a reduction in the external surplus on goods and services corresponding to 1.4 per cent of GNP.

Quarterly estimates of national accounts aggregates<sup>2</sup> give a clearer idea of the change in production and demand trends. Between the second half of 1968 and the first half of 1969, real GNP was rising at an annual rate of 8 to 9 per cent (distinctly faster than the medium-term rate of growth), sustained by a strong investment boom and buoyant exports. Despite the strong upswing, there was still probably some slack in the economy. The prolonged strikes of the autumn which involved about three quarters of the industrial work force resulted in a 10 per cent fall of industrial output between the second and the fourth quarters. Over the same period real GNP declined by 4 per cent. A sharp recovery occurred in the first quarter of 1970, but it was less strong than expected and was followed by a flat trend throughout the rest of the year. Thus, between the second quarter of 1969 (the pre-strike peak) and the fourth quarter of 1970, real output in industry showed an increase corresponding to an annual rate of barely 3½ per cent. On a similar comparison, GNP rose at only some 3 per cent per annum. Current statistics relating to the first four months of 1971 suggest a virtual stagnation of real output and an increasingly weak trend of domestic demand.

The respective roles of the various factors responsible for this, at first sight paradoxical, outcome are not easy to disentangle. Initially, the more important causes of the slowdown were rather on the supply than on the

1 Revisions of national accounts have increased the rate of growth of GNP by 0.4 per cent for 1968 and by 0.9 per cent in 1969. The general price deflator has remained practically unchanged. The distortions caused by the strikes in both 1969 and 1970, including the irregular behaviour of partial indicators, make the estimation of national account aggregates particularly difficult. Accordingly, the preliminary estimates for 1970 are likely to involve a higher than usual margin of error.

2 Cf. Table B in the Statistical Annex.



Table 1 Supply and use of resources  
Per cent changes at annual rates (volume)

	Years			Half-years, seasonally adjusted				1970/II indices (1969/I = 100)
	1968	1969	1970	1969/I 1968/II	1969/II 1969/I	1970/I 1969/II	1970/II 1970/I	
1 Private consumption	4.9	6.3	8.0	8.1	4.2	12.2	3.5	110.0
2 Public consumption	4.1	3.3	3.2	3.5	3.3	3.0	3.2	104.9
3 Gross fixed investment	9.7	8.0	3.8	15.3	-9.6	15.6	-4.1	100.2
(a) Machinery and equipment	10.3	5.9	13.0	13.8	-12.3	30.9	8.5	111.6
(b) Housing	11.9	15.1	-6.1	16.3	-7.7	3.1	-21.4	86.5
(c) Other construction	6.5	3.2	2.6	—	-7.7	10.3	-1.3	100.2
4 Changes in stocks	0.2 <sup>1</sup>	0.8 <sup>1</sup>	0.8 <sup>1</sup>	—	—	—	—	—
5 Total domestic demand	4.7	6.9	7.5	7.9	2.4	13.7	0.6	108.3
6 Exports, goods and services	15.4	13.8	6.0	23.3	-5.7	8.9	12.8	107.6
7 Imports, goods and services	7.5	20.6	17.2	21.1	15.9	17.9	17.1	126.5
8 GNP at market prices	6.4	5.9	5.1	8.9	-2.1	11.7	-0.1	104.5
9 Agriculture	-3.0	3.3	0.0	-3.3	13.6	-6.7	1.1	103.6
10 Industry	9.5	6.9	8.0	12.5	-7.2	21.2	-0.3	106.0
11 Construction	8.9	7.6	-1.3	11.6	-8.4	8.1	-11.3	93.7
12 Private services	7.5	6.5	6.5	9.2	-1.6	13.0	2.2	106.6
13 Public administration	2.9	2.0	3.0	1.9	2.2	3.2	3.3	104.4
14 GDP at factor cost	6.3	5.8	5.3	8.2	-1.9	11.7	0.4	104.9

<sup>1</sup> As percentage of GNP in previous period.

Source: Relazione generale 1970, ISCO and Secretariat estimates.

demand side. But as time went on, factors which may be called exogenous to cyclical developments produced effects on incomes, the structure of costs and expectations which combined to create a situation of clearly deficient demand in the first half of 1971. The impact of both fiscal and monetary policies (described in Part II of this Survey) has varied considerably during the period under review.

The strikes of late 1969 were linked with the renewal of national wage contracts in several large sectors of industry. Thereafter, work stoppages of smaller dimensions became quasi endemic. Sometimes, they accompanied negotiations for new national contracts — e.g. for the textile industry in the spring of 1970. More often, however, they were related to the implementation of the national contracts at the plant level or concerned particular departments of large firms. (At the other end, national strike movements to support general claims, like reforms in housing legislation have been rather frequent). The effects of the recurrent work stoppages on output were undoubtedly important, though very difficult to estimate<sup>1</sup>. They are probably one of the main reasons for divergent trends of production as between industrial sectors and for irregular movements in the course of last year, which have never been observed during previous periods of slow-down. Another obstacle to the growth of output was the change in negotiated conditions of work since January 1970. The standard working week was reduced and limitations were imposed on overtime and shift work. Many firms had difficulties in adjusting production schedules to the new rules, resolved in due course by means of an increase in the number of employed. But a considerable increase of absenteeism, probably related to the new regulations applying to sick leave, continued to hamper production planning until recently.

The impediments to production do not seem to explain fully the continuing stagnation of output. The index of industrial production<sup>2</sup> showed no increase whatsoever in the course of 1970 and a tendency to decline in the first four months of 1971. There was a large import leakage of the additional domestic demand last year, but current indicators suggest that a flattening out of domestic demand has recently become an important factor in explaining the trend of output.

According to provisional estimates, private consumption in real terms increased by 8 per cent between 1969 and 1970 — the largest volume increase since 1963. The rise was somewhat lower than expected, since labour

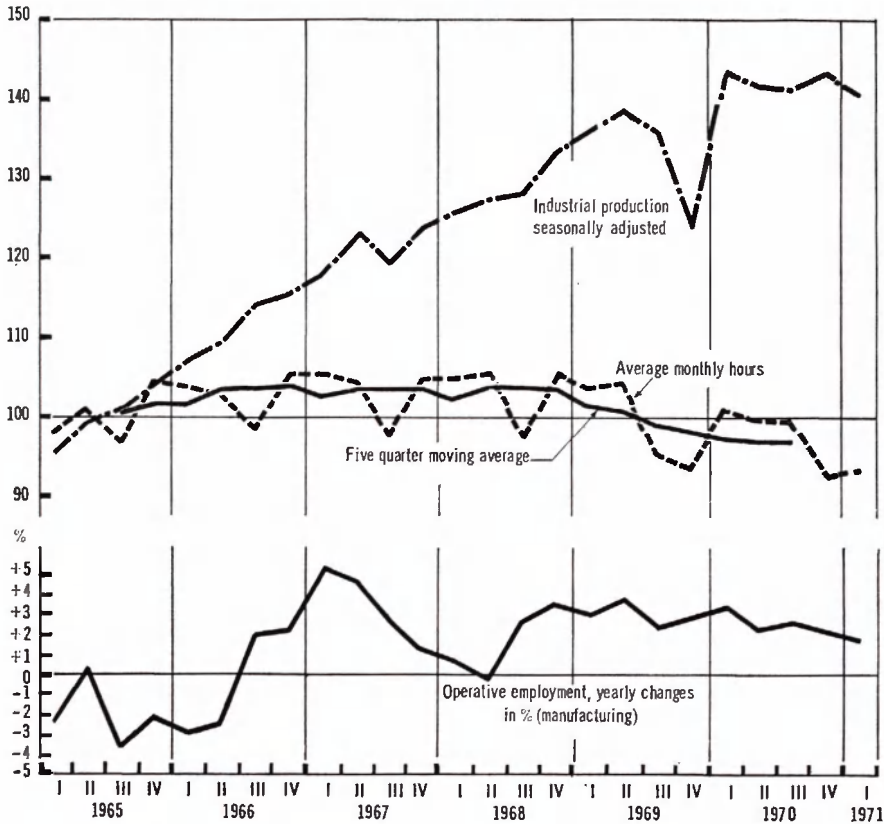
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1 According to Ministry of Labour statistics, work hours lost because of "labour conflicts" in 1970 were 50 per cent less than in 1969, but twice as many as in 1968. It seems that the criteria used for these statistics do not cover all types of work stoppages. More importantly, the prevalent methods of industrial action have often implied more than proportionate losses of output, and the effects on other firms and sectors (supplying or receiving intermediate products) seem to have been considerable.

2 Developments in the index should be interpreted with caution, both because of the incidence of exceptional factors in the period under review and because of a systematic divergency between annual changes in the index and changes in real value added by industry according to the national accounts. There are important differences of definition and coverage between the two aggregates. But whereas differences in changes were random up to 1966, the index has under-estimated significantly the growth of value added in subsequent years.

## Italy

**Diagram 1 Output, average working hours and employment in industry**  
Quarterly figures  
1965 = 100



Source: ISTAT, Ministry of Labour.

income (excluding social security contributions) increased by some 17 per cent and consumer prices rose by 5 per cent. Apart from the influence of trends in mixed incomes (discussed below) the saving ratio of households apparently remained at the record high level of 1969. This was in marked contrast to the significant fall in this ratio during the previous "wage explosion" of 1962-63. Precautionary savings, due to uncertainties regarding employment and incomes, have probably played a significant role. The limited increase of production of consumer goods (6½ per cent for industrial products) has been supplemented by a 30 per cent rise of imports in this category. There are scarcely any current indicators of private consumption. Indirect evidence suggests, however, that a substantial increase in the early months of 1970 — when the new wage contracts started being applied — was followed by progressively smaller increases during the rest of the year and in early 1971.

Table 2 Fixed investment by sector of purchase, 1968-1970  
At current prices, billion lire

	1968	1969	1970	1970		
				In % of total	% change over 1969	
					Value	Volume
1 Gross fixed investment	9 322	10 695	12 327	100.0	15.3	3.8
2 Dwellings	2 901	3 630	3 939	32.0	8.5	-6.1
3 Productive investment (1 — 2)	6 421	7 065	8 388	68.0	18.7	8.6
of which:						
(i) General Government <sup>1</sup>	1 589	1 653	1 955	15.9	18.2	8.7
(ii) Public corporations <sup>2</sup>	1 226	1 510	2 035	16.5	34.7	23.0
4 Public fixed investment <sup>3</sup>	2 815	3 163	3 990	33.4	26.1	15.5
5 Business, non-housing (3 — 4)	3 609	3 902	4 398	35.6	12.7	2.9

1 Including municipal enterprises and autonomous bodies (railways, etc.).

2 IRI, ENI, EFIM, ENEL.

3 It includes a small amount of public housing.

Source : Relazione Generale, 1970

Developments in gross fixed investment reflected divergent movements in its components. For 1970 as a whole, total investment rose by 3.8 per cent in real terms, an appreciable decline in residential construction being more than offset by a strong rise of investment in machinery and equipment. The fall in housebuilding started in the early months of the year and was the result of an "administrative cycle"; there was a strong boom in this sector in 1968 and 1969 in anticipation of new administrative regulations<sup>1</sup>. By the end of last year, the volume of activity had fallen by some 10-15 per cent, and the decline most probably continued in the first half of 1971. Other construction rose moderately last year, but investment in machinery and equipment increased considerably (by 13 per cent in real terms) and gave rise to a 25 per cent increase in imports of investment goods. Investment in industry was particularly buoyant. Much of the increase reflected the completion during the first half of 1970 of projects considerably delayed by the 1969 strikes.

Table 2 illustrates the markedly different developments of different sectors and the important role played by the public sector and the State enterprises in sustaining the level of total fixed investment. As regards general Government, the strong increase (nearly 9 per cent in volume) reflects not only an expansion of public works but also investment in equipment by the railways and other autonomous bodies. The figures for

1 A law of August 1967 imposed limitations on housebuilding for urban planning purposes. It granted, however, temporary exemptions from these rules, provided (i) building licences were granted before August 1968 (ii) work started within one year as from the issue of the licence and (iii) the dwellings were completed within two years from the start of work.



State enterprises are not strictly comparable with the national accounts estimates. Nevertheless, the 35 per cent increase in value of their investment outlays, following a 23 per cent increase in 1969, gives an idea of their important contribution. Private firms' investment (which represents more than half of the total excluding housing) rose distinctly less fast. It would seem that, whereas larger firms were in a position to keep up their investment outlays, many smaller firms were obliged to reduce their investment. They were particularly hit by the rise in wage costs and had less easy access to bank credit, probably at a higher cost than big firms.

The upsurge of investment in machinery and equipment in early 1970 did not bring it back to the very strong trend that prevailed up to mid-1969. Thereafter, the expansion weakened, though with some erratic movements up to the end of the year. (Cf. quarterly national accounts). For the first months of 1971 both business surveys and industrial production indices suggested a flat development at best. Imports of investment goods continued high up to March, but seem to have fallen in April.

Inventory formation in 1970 was relatively high by past standards. The year started with a reconstitution of stocks of finished goods depleted during the strikes, but ended with involuntary stocks having become significant. By March 1971, 30 per cent of the firms covered by the business survey were reporting excessive stocks — the highest ratio since the 1964 recession.

The impulses from foreign demand were limited for 1970 as a whole. At constant prices, the increase in exports of goods and services represented 16 per cent of total additional demand, compared with 30 per cent for 1969. And as already noted, a large part of the rise in domestic demand was met by higher imports. Since last autumn, however, the deflationary impact of the foreign balance seems to have been reversed.

### *Incomes, costs and prices*

Last year's considerable wage increases and a 3 per cent rise in non-farm dependent employment (partly due to a shorter working week) produced a significant shift in the distribution of income. Provisional estimates put the share of compensation of employees to national income at 59 per cent, compared with some 56.5 per cent for each of the preceding three years. Employment rose in all non-agricultural sectors<sup>1</sup> except construction, and both occasional employment and unemployment declined. But the proportion of unemployed represented by new entrants and by persons with over 5 years' education continued to increase (Cf. Diagram 10).

Partly because annual labour input rose less than employment<sup>2</sup>, the annual increase in compensation of employees (about 16 per cent) was distinctly lower than the increase of wages and hourly earnings in industry

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1 It is interesting to note that the rise of employment in industry was concentrated in firms with more than 100 employees. It showed an absolute decline for smaller firms according to data covering the first three quarters of 1970.

2 The negotiated cuts in working hours took place generally without loss of pay, but recurrent strikes must have affected both hours of work and pay. It should also be noted that civil service salaries rose moderately in 1970.

Table 3 Employment  
In thousands

	Changes in annual averages			Situation in 1970	Changes		
	1968	1969	1970		July 69/ July 70	October 69/ October 70	January 70/ January 71
1 Agriculture	-309	-224	-340	3 683	-306	-214	-139
2 Industry	108	158	160	8 208	166	153	132
of which:							
(a) Construction	-6	54	8	1 984	-5	-12	-25
(b) Manufacturing, wage earners	69	124	106	4 248	103	96	76
(c) Manufacturing, other	27	-33	57	1 681	95	64	92
3 Services	163	-132	264	7 064	333	206	79
4 Total employment	-38	-198	85	18 956	193	145	72
5 Unemployment	5	-31	-48	615	-5	-14	-11
6 Labour force	-33	-229	37	19 571	188	131	61
7 Non-active population	402	552	348	33 915	213	232	312
8 Total present population	369	323	385	53 486	401	363	373

Source : ISTAT.

Table 4 Prices and Wages  
Percentage changes

	Average 1961-67	Annual changes			1969 IV	1970 IV	Apr. 1971
		1968	1969	1970	1968 IV	1969 IV	Apr. 1970
1 Implied prices of gross national product	4.7	1.5	4.0	6.7			
2 Wholesale prices <sup>1</sup>	2.1	0.4	3.9	7.3	6.9	5.6	2.9
of which:							
non-agricultural products	1.9	0.0	3.5	7.9	6.7	6.7	4.0
3 Consumer prices <sup>1</sup>	4.3	1.4	2.6	5.0	4.0	5.3	4.7
of which:							
non-food products	3.4	0.8	1.8	5.7	3.9	6.8	6.5
food products	3.8	0.3	2.8	4.3	3.9	4.5	3.9
services	6.5	3.5	3.3	5.2	4.2	5.1	4.5
4 Minimum wage rates in industry <sup>2</sup>	9.9	3.8	7.3	20.7	9.3	21.4	13.4 <sup>3</sup>
5 Hourly wage earnings in industry	11.2	4.6	9.6	21.2	14.4	20.1	16.6 <sup>4</sup>

1 New series from 1971: 1970 = 100.

2 Excluding family allowances.

3 January-April 1971 on January-April 1970.

4 January-March 1971 on January-March 1970.

Source: ISTAT.



(over 20 per cent). There are no estimates yet for incomes of independent traders ("mixed" incomes) which are relatively important in Italy. Outside agriculture they were probably influenced unfavourably by the frequent disruptions of production and distribution and the increase of wages. These developments — and the fact that the wage rise was concentrated in early 1970 — could help to explain why private consumption has apparently lost impetus since last autumn.

The small rise in productivity contributed to a strong increase of unit labour costs. According to estimates of the Bank of Italy, between the second quarter of 1969 and the fourth quarter of 1970, productivity per person employed in manufacturing increased at an annual rate of just over 1 per cent and unit labour costs at about 13 per cent per annum. This was in marked contrast with the rapid productivity gains in the preceding 2-3 years when wages were rising rather moderately. The effects on the financial position of enterprises were certainly important, but the costs of non-labour inputs and selling prices should also be considered in this context.

An annex to this Survey contains estimates of the structure of costs and revenue of the manufacturing sector for the last ten years. Comparing the periods 1962-1963 and 1969-1970, unit labour costs rose at about the same rate, by 14 per cent per year. But total unit costs rose faster in the latter period, largely because the prices of imported inputs rose sharply, whereas they had declined in 1962-1963. The reaction of enterprises to the rise of costs was also different in the two periods. Their selling prices lagged behind costs in 1962-1963, probably because of foreign competition. In 1969-1970 they were able to increase their prices, helped by inflationary developments in world markets. They raised, indeed, not only domestic prices but also the prices of manufacturing exports (contrary to their earlier practice). Thus, with a smaller increase in the volume of sales, their gross revenue rose faster in the more recent period. These global estimates may conceal important differences as between industrial sectors or big and small firms.

Both wholesale and consumer prices showed for 1970 as a whole a marked acceleration, rising by 7.3 per cent and 5 per cent respectively, but their evolution since early last year was rather different. The rise of wholesale prices flattened out in the spring of 1970, due largely to world market trends in raw materials and to the recession in the construction sector. Except for oil prices the trend remained moderate in early 1971. Consumer prices continued rising at an annual rate of around 5 per cent through the first quarter of 1971. This was less than might be feared in view of wage and cost rises, but there were signs that costs continued to be passed on to retail prices.

### *The balance of payments*

Balance of payments developments in 1970 showed marked contrasts compared with 1969. There was a surplus of \$ 350 million on total non-monetary transactions as against a deficit of \$ 1.4 billion in 1969. The

swing into surplus took place in mid-1970 and continued in the first quarter of this year with an improvement of over \$ 1 billion compared with the corresponding period twelve months earlier. Between the years 1969 and 1970 there was a reduction of net capital outflows by \$ 3.3 billion, much larger than the deterioration of the current surplus from \$ 2.3 billion to 0.8 billion. The evolution of the current account in the course of last year was very uneven. On a seasonally adjusted basis<sup>1</sup> it fell in the first quarter to the lowest level in the last six years, but improved progressively thereafter. The improvement, mainly on trade account, seems to have continued in the first four months of 1971.

Nearly half of the deterioration of the current account in 1970 was due to a fall in net invisible receipts. There were special factors, like the bunching of public transfer payments, but also probably some under-recording of net earnings on tourism reflecting disguised capital movements, which may have been of the order of magnitude of \$ 200 million<sup>2</sup>. Payments on investment income rose sharply to more than \$ 0.9 billion, due to interest payments on the substantial amounts borrowed abroad and the repatriation in 1969 of commercial banks' foreign assets.

Supply difficulties and the strong rise of domestic demand during most of last year both hampered exports and swelled the volume of imports. For 1970 as a whole the trade balance (imports fob) swung into deficit. But by the last quarter it had moved back into surplus (seasonally adjusted) as the pressure of demand weakened. Exports recovered substantially in the first half of 1970 from their depressed level of the strike period. They declined thereafter as the recuperation effects disappeared, but seemed to be again on a rising trend in the early part of 1971: for the three months to April they were 16 per cent higher than a year earlier. The increase was largely due to rising prices. Between the second quarter of 1969 and the fourth quarter of 1970 the volume of exports showed an increase of only 2 per cent, roughly in line with industrial production, suggesting that supply difficulties played an important role. More recently a rise in the volume of exports and a declining tendency of industrial production pointed to less buoyant domestic demand.

Stagnant production and strong domestic demand led to sharply rising imports until the autumn of 1970. An indication of the exceptional circumstances affecting imports in the period stretching from the fourth quarter 1969 to the third quarter 1970 is that, in volume terms, they showed an elasticity of  $5\frac{1}{2}$  in relation to GDP, as against  $2\frac{1}{2}$  one year earlier when GDP was rising by about 7 per cent per annum. Imports (seasonally adjusted) fell appreciably in the last quarter of 1970. Despite erratic

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1 Since the statistics of external transactions have been moving rather erratically since late 1969, the estimates of seasonally adjusted series should be treated with caution.

2 To judge by the number of foreign visitors and nights spent in hotels which rose by 5 per cent and the rise in prices of tourist services (over 5 per cent) earnings may have increased by some 10 per cent instead of the stagnation shown in the statistics. Moreover, the recorded 50 per cent increase in travel expenditure abroad seems implausible. On the basis of past elasticities (1.7 with regard to total private consumption for 1959-1969) a rise of the order of 25 per cent would appear more likely.

Table 5 Balance of payments  
(a) ANNUAL AND QUARTERLY FIGURES  
Million dollars

			1970				1971
	1969	1970	I	II	III	IV	I
NOT SEASONALLY ADJUSTED							
1 Imports fob	11 100	13 447	3 129	3 483	3 302	3 533	3 630
2 Exports	11 642	13 107	2 961	3 373	3 315	3 458	3 425
3 Trade balance	542	-340	-168	-110	13	-75	-205
4 Services, net	1 418	965	90	235	495	137	-14
5 Transfers, net	412	189	-18	34	83	98	70
6 Current balance	2 372	813	-96	159	591	160	-149
7 Capital movements, errors and omissions	-3 763	-457	-661	23	-256	436	437
8 Overall balance (non monetary transactions)	-1 391	356	-757	182	335	596	288
9 Monetary movements <sup>1</sup>							
(a) Official settlements	705	-375	888	-225	-166	-872	-553
(b) Commercial banks	686	19	-131	43	-169	276	265
SEASONALLY ADJUSTED							
Trade balance			-224	-173	-73	129	(-160)
Current balance			39	132	249	394	(40)

1 Increases in assets = (-).

Source: Bank of Italy and Secretariat estimates.

Table 5 Balance of payments  
 (b) CAPITAL MOVEMENTS  
 Millions of dollars; net flows

	1968	1969	1970
<b>FOREIGN CAPITAL</b>			
Investments	402	416	630
of which: direct	332	418	606
Loans	121	174	1 599
Trade credits	-61	-360	-45
Total	462	230	2 184
<b>ITALIAN CAPITAL</b>			
Investments	-542	-748	-635
of which: direct	-261	-283	-109
portfolio	-279	-461	-521
Loans	-204	-548	-212
Trade credits	-279	-302	-610
Bank-note remittances	-1 127	-2 256	-951
Total	-2 152	-3 854	-2 408
Balance	-1 691	-3 624	-224

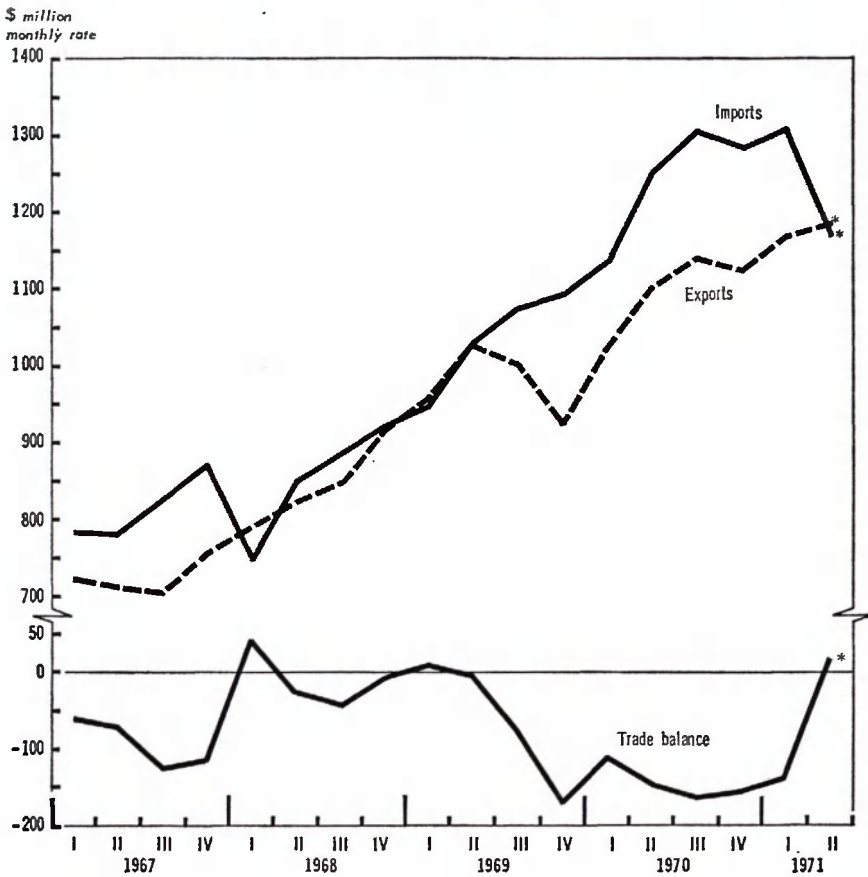
Source: Bank of Italy.

movements in early 1971, the declining tendency seems to have continued. The average for January-April was 2.5 per cent lower than in the preceding four months, with a probably bigger fall in volume terms. Most of the earlier increase, and in all likelihood the recent decline, were due to purchases of finished goods. Imports of raw materials rose only slowly, more or less in line with industrial production.

The very marked improvement on capital account was essentially due to the reversal in favour of Italy of interest rate differentials, to substantial borrowing abroad (some \$ 1.5 billion) by public holdings and financial institutions and to administrative measures which reduced capital flight by way of illegal export of bank notes by about \$ 1.3 billion. For 1970 as a whole, net capital outflows including errors and omissions were less than \$ 0.5 billion compared with \$ 3.8 billion in 1969. By the third quarter, the capital account had moved into surplus which seems to have continued in the early months of 1971. The official net asset position increased last year by an amount approximately equal to the overall surplus as commercial banks' foreign assets remained practically unchanged. Net official reserves rose faster (by nearly \$ 0.6 billion) as medium- and long-term assets decreased. In the first four months of 1971 official reserves rose further, by \$ 0.9 billion, and stood end-April at \$ 6.2 billion.

## Italy

Diagram 2 Foreign trade  
Quarterly averages, seasonally adjusted



\* April.

Source: OECD, Main Economic Indicators.

## II ECONOMIC POLICIES

Demand management was faced in the period under review with particularly difficult and changing circumstances. Due both to irregular developments in the economy and to statistical distortions<sup>1</sup>, its impact cannot be easily quantified. But on the whole policy was adjusted relatively quickly

1 The national accounts estimates for the public sector contain an adjustment for delays in recording transactions made at the end of 1969. Adjustments for other distortions are more difficult.



to economic conditions; this is especially true for budget policy compared with previous years. Monetary conditions were tightened up to the summer of 1970, but eased thereafter. Fiscal policy moved in the opposite direction until recently, when discretionary measures of relaxation started to be taken.

### *Fiscal policy*

The important role played by State enterprises' investment was mentioned earlier. As regards the government sector narrowly defined, its impact on demand for the year 1970 as a whole was only slightly expansionary. According to estimates of the Bank of Italy it amounted to less than 1 per cent of GNP, somewhat less than in 1969<sup>1</sup>. The cash deficit of the Treasury rose, however, sharply to some 3 000 billion lire (6 per cent of GNP) and, given its method of financing, was the most important factor in monetary creation.

The expansionary effect of public finance was even more important in the first half of 1970, when large delayed payments were effected and tax revenue was low because of strikes in the civil service. In August, a newly formed government introduced a package of restrictive fiscal measures which helped to allow a relaxation of monetary policy. These provided for additional revenue of 650 billion lire (equivalent to 1 per cent of GNP) of which 200 billion would result from an increase in employers' social security contributions as from January 1971. The rest came from a rise in the price of petrol and increases in minor taxes which entered immediately into force. At the same time, some tax reductions were introduced or prolonged to encourage business investment and additional funds were provided to special credit institutions. Because of delays in parliamentary approval, the reflationary part of the package became effective only later and thus the restrictive impact of the measures was probably somewhat greater than intended. In the meantime, the strong expansion of domestic demand which could be reasonably foreseen at that time did not materialise fully.

At the beginning of 1971 the Government submitted to Parliament a white paper on public expenditure. This document outlined medium-term problems and included, inter alia, a proposal that estimates of cash expenditure should be prepared each year, besides the traditional approval of commitments<sup>2</sup>. For the current year, the Government forecast a volume increase of GNP of about 4 per cent and investment expenditure of around 14 000 billion lire. Accordingly it fixed a ceiling for the cash deficit of the Treasury, the Postal Savings Funds and the autonomous bodies of 2 500 billion lire compatible with overall financial stability. Shortly afterwards, however, it became clear that the trend of GNP, and even more of private investment, was much weaker than forecast. The change in the economic situation was explicitly recognised during the spring and reflationary measures started being prepared.

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1 These calculations use methods similar to those contained in Prof. Hansen's report published by the OECD in 1969 "Fiscal Policy in Seven Countries". They take account, however, of Government capital transfers.

2 The disadvantages of the present system have been discussed in several OECD Surveys of the Italian economy.



Table 6 General Government consolidated account  
National accounts concepts—cash basis

	Billion lire			% increases		
	1968	1969	1970	1968	1969	1970
1 Direct taxes	3 210	3 504	3 638	9.1	9.1	3.8
2 Indirect taxes	5 912	6 373	7 032	7.3	7.8	10.3
3 Social Security contributions	5 296	5 577	6 414	15.3	5.3	15.0
4 Other current receipts	1 330	1 543	1 713	6.5	16.0	11.0
5 Total current revenue	15 749	16 997	18 797	10.2	7.9	10.6
6 Current expenditure on goods and services	6 382	6 910	7 403	8.9	8.3	7.1
7 Current subsidies and transfers	8 747	9 699	10 977	15.8	10.9	13.2
8 Total current expenditure	15 129	16 609	18 380	12.8	9.8	10.7
9 Net current savings	621	387	417	..	..	..
10 Depreciation allowances and capital account receipts	145	176	372	..	..	..
11 Gross investment	1 189	1 213	1 374	20.5	2.0	13.3
12 Capital transfers	755	810	1 158	-1.3	7.2	43.0
13 Net indebtedness	1 178	1 460	1 743	..	..	..

Source: Relazione Generale 1970.

*Monetary policy*

The tightening of monetary policy, initiated in 1969, continued until the third quarter of 1970. External considerations were of paramount importance — the large outflow of capital related to interest rate differentials against Italy and, for a time, speculative movements against the currency. The reversal of differentials entailed record high levels of interest rates in Italy, achieved essentially by the removal of the monetary authorities' support of the market for public bonds. Despite the large injection of liquidity by the Treasury, the rise in the monetary base (seasonally adjusted) slowed down significantly in the second and third quarters of 1970. The monetary restrictions probably had a significant dampening effect on private investment plans, at a time when the financial needs of enterprises were considerable due to earlier large losses of output and the implementation of the new contracts.

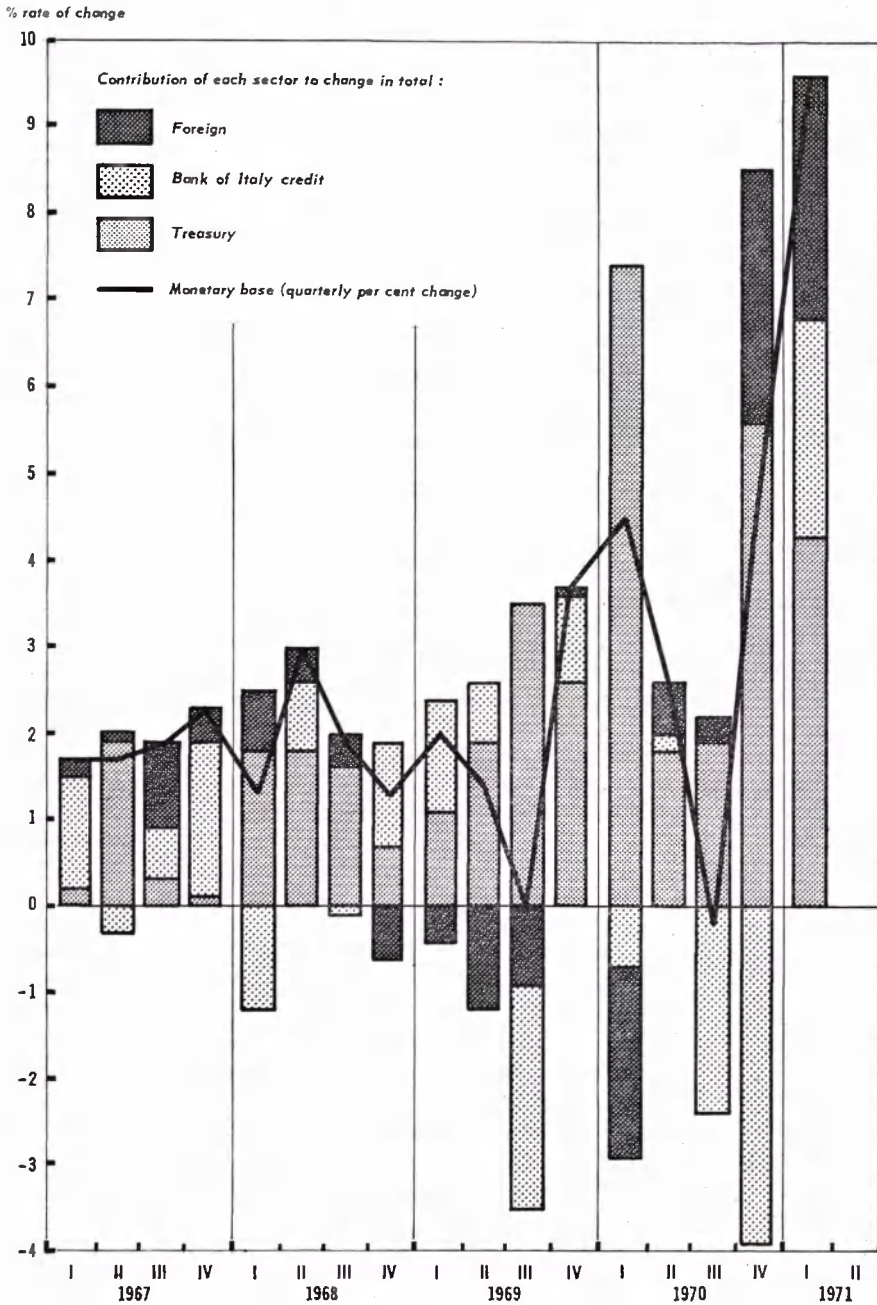
As mentioned earlier, policy marked a considerable success in reversing the capital outflow and restoring confidence in the currency. Since fiscal policy had become more restrictive and interest rates in foreign markets had started declining, monetary policy was progressively relaxed — a process which continued in the early months of 1971. For the year 1970 as a whole, the growth of bank credit was somewhat smaller than in 1969. Lending by special credit institutions continued to decelerate (a trend started in 1968) because of the difficulty in placing bonds — their main source of funds. Total credits to the economy rose by 12.6 per cent, compared with 13.4 per cent in 1969. In absolute terms new external finance of the enterprise sector from domestic sources showed a marked decline (cf. Table 7 c) approximately compensated by increased recourse to financing sources abroad.

Around the turn of the year, monetary conditions eased significantly and demand for credit showed signs of weakness. The increase of the monetary base in 1970 (2 100 billion lire) was distinctly higher than the target fixed earlier. Since the late months of last year, commercial bank deposits have been rising faster than loans and bank liquidity improved considerably. With both the foreign and the public sector exerting an expansionary influence, the increase in the monetary base accelerated and tended significantly to exceed the forecast of 2 000 billion for 1971 contained in the white paper on public expenditure.

Autonomous trends towards easier monetary conditions were reinforced by successive policy measures. In late 1970 steps were taken to allow faster expansion of loans by the special credit institutions. In January the rate of interest for advances by the Bank of Italy to commercial banks was cut from 5.5 per cent to 5 per cent. On April 2 the discount rate was also cut by half a point to 5 per cent in the wake of bank rate reductions in other countries. In both cases the special penalty rates of up to 1.5 percentage points remained unchanged. But they have been practically ineffective in the first months of 1971, due to the relatively low levels of both rediscounts and fixed-term advances. Long-term interest rates declined by nearly 2 percentage points from their peak levels of July 1970, but due to parallel movements abroad significant differentials remained in favour of Italy. The latest available data suggest continued weak demand for credit on the part of the private sector.

# Italy

**Diagram 3 Sources of monetary base**  
Quarterly figures, seasonally adjusted



Source: Bank of Italy (Seasonally adjusted by the Secretariat).

Table 7 Money and credit  
(a) THE MONETARY BASE  
Changes in billion lire

	1968	1969	1970	12 months ending in April 1971
<b>A ORIGIN OF LIQUID ASSETS</b>				
1 Foreign sector				
(a) Balance of payments on no-monetary transactions	393	-869	223	1 022
(b) Minus increase in banks foreign position	-270	221	96	214
(c) Net impact	123	-648	319	1 236
2 Public sector				
(a) Cash requirements of the Treasury (including extra-budgetary operations)	2 045	1 691	3 216	3 000
(b) Minus open-market operations	-1 123	-191	-234	-557
(c) Net impact	922	1 500	2 982	2 443
3 Banks				
(a) Financing by the Bank of Italy	220	476	-1 275	-583
(b) Release of obligatory reserves <sup>1</sup>	—	—	260	286
(c) Net impact	220	476	-1 015	-297
4 Other sectors, net	-24	-83	-141	-100
5 Total net impact (= 6 + 7)	1 241	1 245	2 145	3 282
6 Autonomous factors (1(a), 2(a))	2 438	822	3 439	4 022
7 Intervention by monetary authorities (1(b), 2(b) 3 and 4)	-1 197	423	-1 294	-740
<b>B USE OF LIQUID ASSETS</b>				
8 Liquidity in the hands of the public	577	1 153	976	1 105
9 Compulsory bank reserves	403	413	782	1 082
10 Bank liquidity	261	-323	387	1 095
11 Total	1 241	1 245	2 145	3 282

<sup>1</sup> Banks were authorized in end-1970 to use part of their obligatory reserves to purchase bonds issued by special credit institutions.

Source: Bank of Italy.

**Table 7 Money and credit**  
**(b) OVERALL POSITION OF BANKS**  
*Outstanding balances and changes in billion lire*

	Outstanding at the end of 1970	Changes					
		Billion lire			In %		
		1969	1970	March 1971 over March 1970	1969	1970	March 1971 over March 1970
<b>A Assets</b>							
1 Liquid assets	1 482	-323	387	1 222	..	..	..
2 Compulsory reserves	7 510	711	1 026	1 195	..	..	..
3 Domestic loans, total	27 048	3 104	3 329	3 026	15.1	14.0	12.9
(a) Short-term loans	23 221	2 684	2 710	2 426	15.1	13.2	12.1
Medium and long-term loans	3 827	420	618	600	15.0	19.3	17.8
(b) Private sector	23 398	2 685	2 630	2 196	14.9	12.7	10.7
Public sector	3 650	418	698	830	16.5	23.7	26.8
4 Securities	7 794	793	248	718	..	..	..
5 Other assets	1 530	154	60	15	..	..	..
6 Net foreign position <sup>1</sup>	-132	-221	-95	-221	..	..	..
7 Total assets	45 232	4 218	4 956	5 955	11.7	12.3	18.2
<b>B Liabilities</b>							
8 Total deposits	40 019	3 665	5 561	5 090	11.9	16.1	14.6
Time deposits	16 322	1 107	-518	-455	7.0	-3.1	-2.8
Sight deposits	23 697	2 558	6 079	5 545	17.0	34.5	30.3
9 Credit from the Bank of Italy	1 570	505	-1 275	-641	..	..	..
10 Other liabilities (net)	3 643	48	669	1 506	..	..	..
11 Total liabilities	45 232	4 218	4 995	5 955	11.7	12.3	18.2

<sup>1</sup> Excluding freely repatriable liquid foreign exchange assets which are included in Item 1.

Source: Bank of Italy.

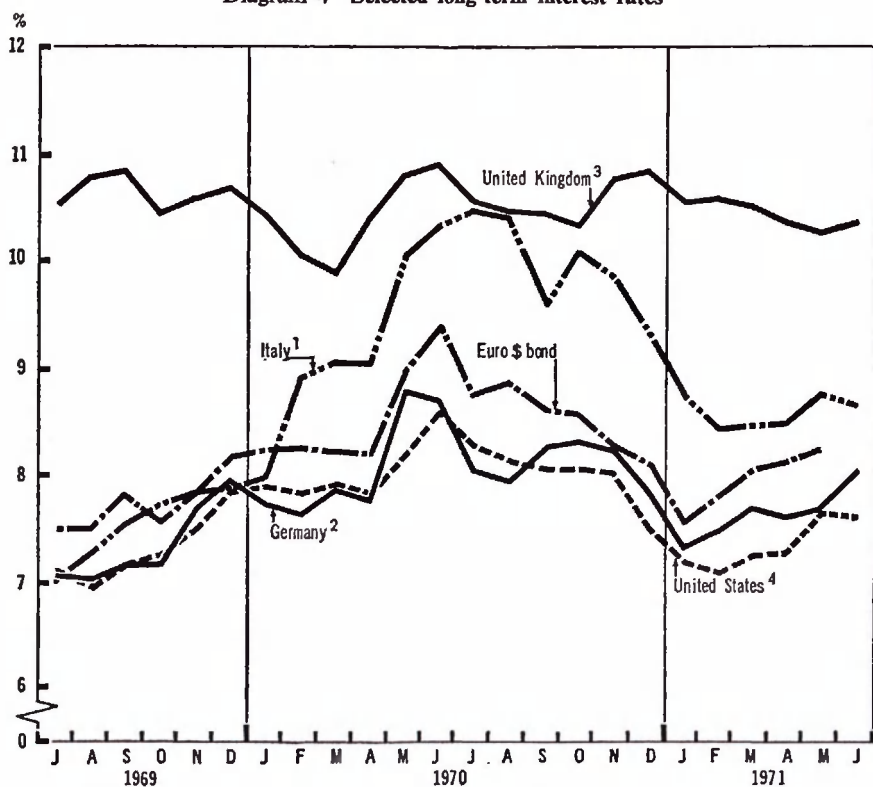
Table 7 Money and credit  
(c) EXTERNAL FINANCE OF ENTERPRISES<sup>1</sup>  
Changes in billion lire

	1968	1969	1970
<i>Domestic sources</i>			
1 Short-term indebtedness	1 244	2 436	2 281
2 Medium-term and long-term indebtedness	1 967	2 131	1 659
(a) Loans	1 453	1 638	1 629
(b) Bonds	514	493	30
3 Shares and equity participations	530	592	710
Total domestic	3 741	5 159	4 650
<i>Foreign sources</i>	306	137	875
Total	4 047	5 296	5 525

1 Private and public corporations not including autonomous bodies (railways, etc.).

Source: Bank of Italy.

Diagram 4 Selected long-term interest rates



1 Corporation and finance bonds.

2 Industry 5.5%.

3 20 years debentures.

4 Corporate Aaa

Sources: Bank of Italy and various.



### III SHORT-TERM PROSPECTS

Developments of an exceptional character over the last couple of years make difficult the examination of short-term prospects. It would seem reasonable to start with an assessment of the economy's underlying position at present following the large increases of wages and costs and the significant changes in conditions of work in industry. Although this may be premature, some general considerations are tentatively submitted in the following few paragraphs.

#### *The underlying economic situation*

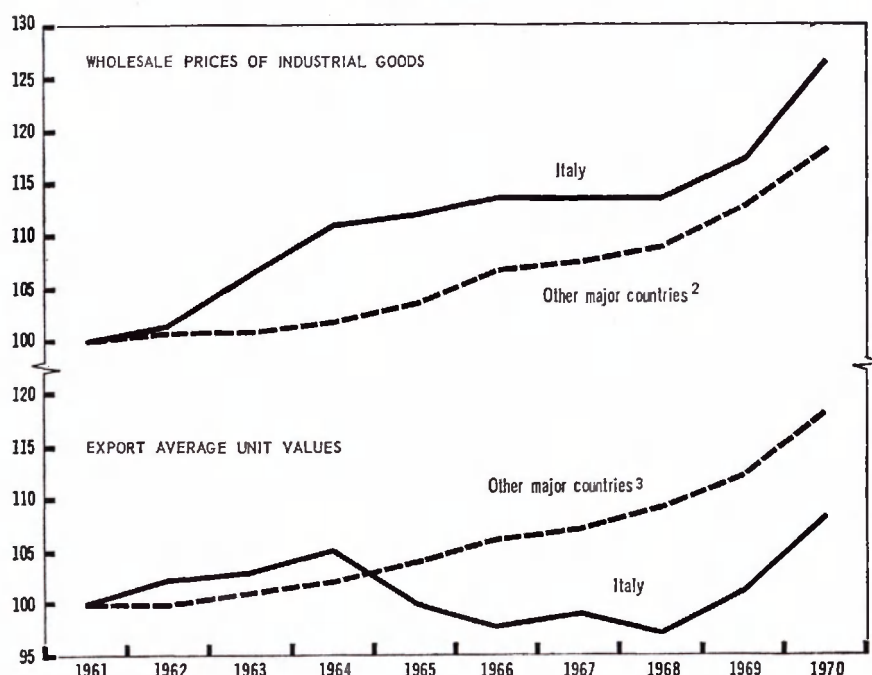
The changes, since early 1970, of working rules in industry concerning overtime, shift-work and sick leave seem to have produced a change in the production function: a higher capital stock would now be needed to produce the same output with a given manpower. This could in principle be quantified, but in view of other important changes such calculations may be misleading. In the present phase of increasing margins of unused capacity, the effect of this change will not be apparent, but it may have important consequences over the medium-term. This was not the only likely reason for the apparently small increase in productivity during the period under review. Frequent work stoppages and other forms of labour unrest were probably a more important factor. In respect of some new forms of social strife there may only be a difference of degree and not of nature between Italy's recent experience and that of certain other Member countries. In any case, forecasts in this field are not possible. It can be only advanced that if disruptions of work do not exceed a certain moderate degree, the loss in productivity may turn out to be more of a once-for-all character than a lasting change in trend. Moreover, the rise in labour costs should in due course lead to capital-deepening investment and thus increase labour productivity again.

The incidence of higher labour costs is certainly quite different as between various sectors of the economy and according to size of firms. In the absence of data, detailed judgements should be withheld, but a general picture seems to emerge — that Italy's movement towards a high-wage, capital-intensive type of economy has been accelerated.

Looking at the external position of the economy, the first impression is of a surprising resilience. (This was suggested in the 1970 OECD Survey). The current account surplus in 1970, corrected for probable under-recordings, was of the order of \$ 1 billion and of 1 per cent of GNP. In view of the sharp rise in costs and the very considerable disruptions in the production process, this is no mean performance — even though the rise of domestic demand abated towards the end of the year. Of course, Italy was starting from a much stronger external position, even undesirably so as was often declared in official documents. As far as can be judged at present, impediments to the rise of output were more important in holding back the growth of exports than the rise in export prices. The latter took place in a period when prices in competing countries were also rising fast and

when the currency of Italy's largest trade partner was revalued. Moreover, in the few years preceding 1969 unit labour costs had probably fallen thus creating a large margin of competitiveness.

Diagram 5 Comparison of the competitive position of Italy and other major countries<sup>1</sup>  
Indices, 1961 = 100



1 France, Germany, Japan, United Kingdom, United States.

2 Weighted by share of GNP.

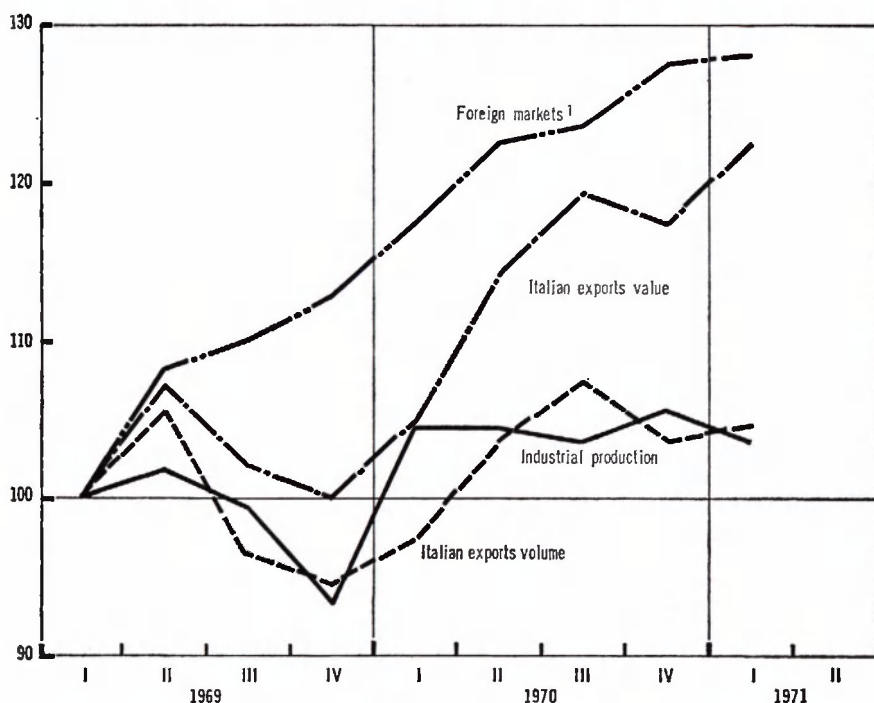
3 In US \$ and weighted by share of exports.

Sources: ISTAT, Main Economic Indicators and Survey of Current Business.

Whatever the reasons, Italian exports, which, over the period 1960-1968, rose on the average 4 percentage points faster than the (weighted) expansion of foreign markets, lost market shares in 1969-70 to an average extent of 3½ points. Recent data do not suggest clearly any recovery of these losses. More importantly, future performance (abstracting from cyclical fluctuations) will depend largely on smooth developments in production and deliveries and on further cost rises. Recent business surveys suggest very weak export orders and this is a caution against complacency. The economy was able to absorb, to a large extent, the unusually high increase in costs. The margins for further increases of such dimensions are now probably exhausted.

## Italy

Diagram 6 **Industrial production, exports and foreign markets**  
Indices, 1969 Q 1 = 100. Quarterly figures, seasonally adjusted



1 Imports of foreign markets weighted by share of Italian exports in 1968.

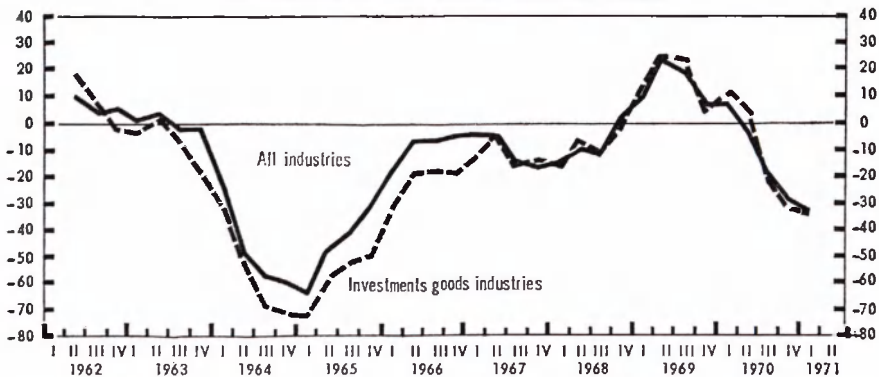
Sources: ISTAT, ISCO, Main Economic Indicators.

### *The Short-term Outlook*

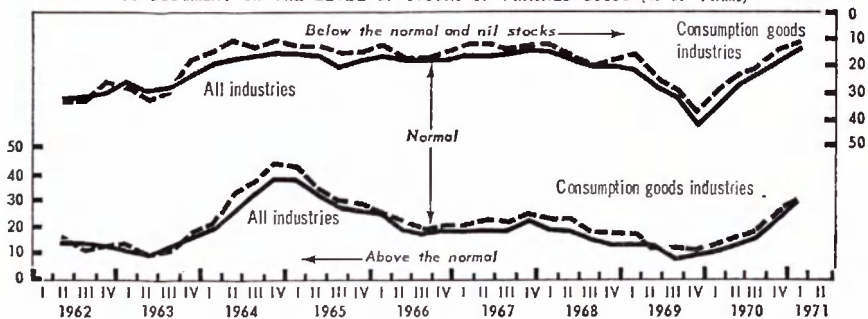
The official forecast of a 4 per cent volume increase of GNP in 1971, made at the beginning of the year, seems now very unlikely to be realised. In the light of recent indicators an approximate stagnation of real output does not seem implausible. On certain conditions, an increase of nearly 3 per cent could still be realised, although a rate closer to 2 per cent would seem more plausible. It is important to note that, given the flat developments over the last 18 months, an annual increase of even this order implies a substantial upswing of industrial production and total output during the second half of 1971. Such a forecast relies heavily on two essential assumptions — that conditions of work will become less unsettled in the near future (this should also improve business expectations) and that effective policy measures, taken soon, succeed in reversing certain deflationary tendencies. If these conditions are realised, strong expansion, continuing into 1972, is highly probable. The short-term potential for advance in production and productivity is, in all likelihood, quite considerable.

Diagram 7 Business surveys

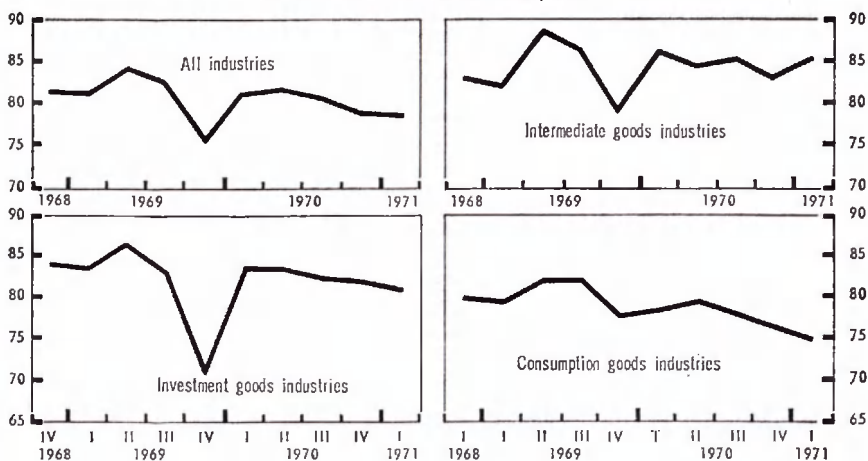
A. BALANCE OF POSITIVE AND NEGATIVE REPLIES IN PER CENT OF JUDGMENTS ON THE LEVEL OF DOMESTIC ORDERS



B. JUDGMENT ON THE LEVEL OF STOCKS OF FINISHED GOODS (% OF FIRMS)



C. RATE OF PLANT UTILIZATION, IN %

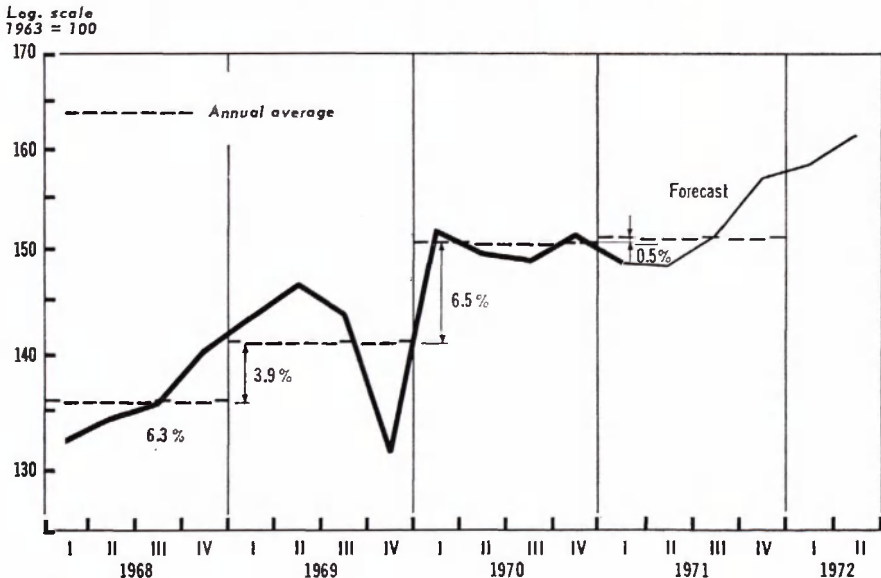


Source: ISCO Business Surveys.

The greatest uncertainty attaches to the trend of investment, despite the continuing buoyant plans of State-owned enterprises. Housebuilding activity is on a declining trend and recent short-term measures may only cushion the decline this year; they could lead to an upswing some time next year. Private business investment is in risk of an appreciable downswing. Even more than recent statistics, leading indicators from business surveys all converge in pointing at this possibility — declining orders, increasing margins of spare capacity, reductions in the time period covered by orders outstanding and a considerable increase of excess stocks of finished products. The socially and economically undesirable consequences on employment of such an out-turn are evident. Already last October, business surveys suggested that firms had ceased planning an increase in their labour force. Nevertheless, effective measures in support of investment activity may have a good chance of success, because the underlying requirements of labour-saving investment following the large wage increases should be considerable.

The likely development of prices will probably not depend preponderantly on the state of demand. Any further easing of demand pressures seems unlikely to bring the rate of increase of consumer prices much below the present 5 per cent, except very temporarily. A considerable portion of past cost increases has probably not yet been passed on to prices. The risk to price developments represented by the switch to the value-added tax next

Diagram 8 **Industrial production, actual and forecast\***  
Quarterly figures adjusted for seasonal variations



\* Index. In national accounts definitions the corresponding annual percentage changes of industrial production as from 1968 are: 9.5, 6.9, 8.0, and 2.0.

Sources: ISCO and Secretariat estimates.



year (in the absence of special measures) is discussed in Part IV. As for the foreign balance, an important uncertainty with regard to price movements relates to the future course of wages.

If industrial production were to stage a marked recovery in the second half of this year (as implied by a 2 per cent GNP growth forecast) and price increases remained roughly similar as in recent months, the surplus of the current balance of payments for the year 1971 might be of the order of \$ 1½ billion. Continuation of these broad trends in the first half of 1972 seems compatible with the maintenance of the current surplus at about the same rate. In view of current uncertainties, the detailed calculations underlying these general forecasts are of limited interest. It may only be remarked that continuation of the recent weak trends would tend to reduce not only imports, but also, to some extent exports. In the medium term the damage to exports from insufficient investment would probably be bigger.

#### IV REFORM MEASURES

The last years have been marked by an unusual amount of labour unrest and social tension. Amongst the causes of this unrest — which are probably many and complex — two may have been particularly important. First, growing dissatisfaction with the quality of life seems to have been an important factor, reflecting notably the massive migration to the cities<sup>1</sup>, the increasing insufficiency of facilities in important areas such as housing, transport and the health service, and the appearance of environmental problems such as air and water pollution. A second factor has been the persisting large disparities in income per head of population between the North and the South, and between agriculture and other industries.

It is not that public intervention has been non-existent in these fields. The authorities have been aware of the magnitude of the problems and, indeed, the basic objectives of the first development plan (covering 1966-1970) were the gradual elimination of the social and regional disequilibria. But the realisations fell far short of the established targets. The failure was not due to a lack of real resources. Real GDP rose on average by 6 per cent a year between 1965 and 1970 as compared to the official rate target of 5 per cent<sup>2</sup>, and the fact that the margin of slack increased during this period (Diagram 9) suggests that potential output was growing even faster. Moreover, there was a large current external surplus amounting to the equivalent of 2.5 per cent of GNP during the period, representing resources which could have been used at home. The plan envisaged an external balance in approximate equilibrium. On the expenditure side

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1 More than 3 million people, of whom only a small proportion went abroad, have left the countryside during the last ten years.

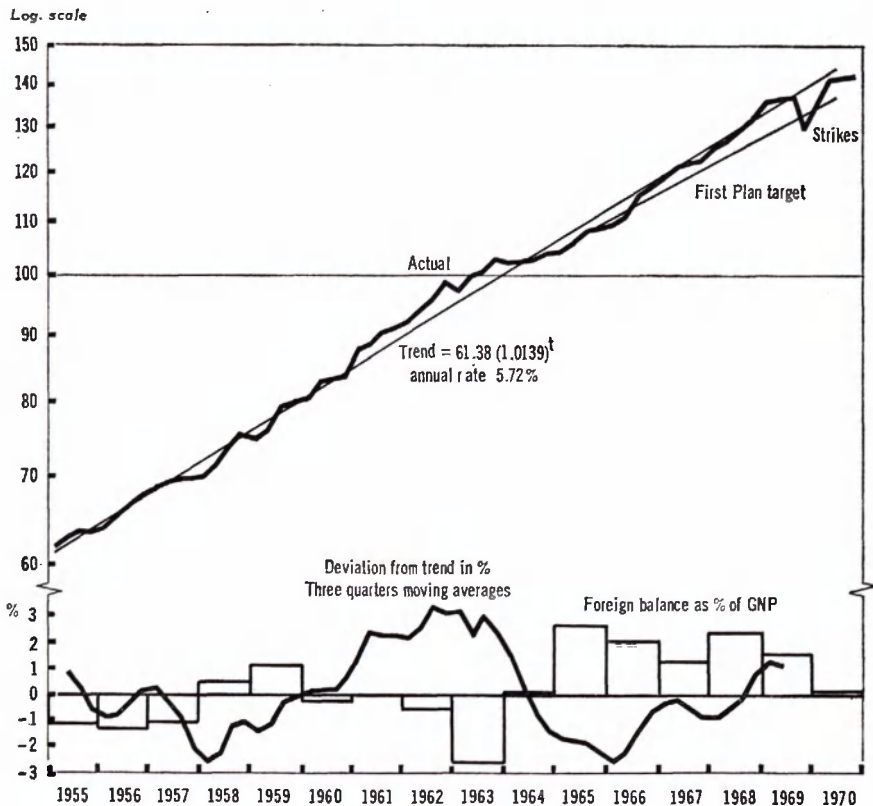
2 For comparability with actual developments the Plan target should be adjusted to about 5.2 per cent, in view of the subsequent revision of national accounts.



productive investment and particularly social expenditure fell short of the target. Indeed, as shown in Table 8 social expenditure as a per cent of GNP fell below the level achieved during the preceding decade. The main reason for this development was probably the inadequacy of the planning and executive capacity of the administration. As a result there has been a huge building-up of unspent appropriations in the plan period; in 1970 they exceeded Lit. 8 000 billion equivalent to nearly 60 per cent of annual budget expenditure appropriations (Table G of Statistical Annex).

A main lesson to be drawn from the experience of the first plan is that if programming is to become more than a declaration of intent, it has to include concrete plans for the implementation of the policy targets. This is the orientation adopted in the Second Development Plan which should cover the 1971-75 period. The three major reforms now under consideration — concerning the promotion of housebuilding, economic development

Diagram 9 The growth of real output, 1955-1970  
GNP quarterly figures at 1963 prices, seasonally adjusted  
Indices, 1963 = 100



Sources: ISTAT and Secretariat estimates.

Table 8 The allocation of resources to social services and infra-structure  
Accumulated totals in per cent of GNP (at 1963 prices)

	1956- 1960	1961- 1965	First Development Plan, 1966-1970	
			Targets*	Realisations
1 Public consumption <sup>1</sup>	16.0	15.3	15.9	15.0
2 Social investments <sup>2</sup>	8.0	8.7	9.1	8.8
3 Total social expenditure (1 + 2)				
of which:	24.0	24.0	25.0	23.8
(i) Residential construction	6.1	6.4	5.1	6.7
(ii) Health services	2.7	3.0	2.7	2.8
(iii) Education and research	3.3	3.5	5.0	3.7
(iv) Public works (including investment by autonomous bodies)	1.9	2.3	4.2	1.4

1 Includes medical services provided free to households (official national accounts estimates impute these services to private consumption).

2 Includes residential construction plus public works, railways and telecommunications.

\* Corrected to make allowance for upward revisions to National Accounts series from 1951 onwards.

Source: ISTAT and Secretariat estimates.

in the South and the improvement of health services — will be embodied in the second plan together with other projects which might be conceived in the light of the projected expansion of resources. The following paragraphs consider the background and the objectives of these reform plans as well as the tax reform which will be introduced in 1972.

### *The Housing Reform*

The housing problem in Italy does not seem to be one of overall scarcity. Residential construction as a share of GNP has been growing steadily in the last 10-15 years and is among the highest amongst OECD countries. The stock of dwellings has been rising faster than the population even in the areas of net immigration like the industrial North-West. The problem is rather one of imbalance between the demand for and supply of low-price housing<sup>1</sup>, as evidenced by the falling share of "popular" dwellings in total residential construction in recent years. This share is particularly low in the industrial triangle (Piedmont, Lombardy, Liguria). Within this area, the problem is very acute in Turin, a city with a very high proportion of immigrant labour. The marked fall in the share of government-financed dwellings during the last 15 years is probably the main reason for this development; this share amounted to only 5.7 per cent of total residential construction in the period 1966-1970 as compared to a target of 25 per cent included

1 One factor that contributes importantly to excess demand in this area is the net internal migration from the South to other regions in Italy (estimated at over 1½ million people in 1959-1969). Many of the persons that emigrated to the cities of the North probably belong to the lower-income groups, which according to a Survey of the Bank of Italy devote about a third of their income to housing—Cf. Bank of Italy, Bulletin N° 1 of 1971.

*Italy*

**Table 9 Main features of residential construction in 1956-1970**

	1956- 1960	1961- 1965	1966	1967	1968	1969	1970
Dwellings in % of GNP (volume)	6.1	6.4	6.0	5.9	6.2	6.8	6.1
Public housing in % of total <sup>2</sup>	14.4	6.1	6.8	6.8	7.1	4.9	4.1
Low price housing in % of total:							
Italy			43.7	45.9	42.8	..	..
North West					28.4 <sup>1</sup>	25.3 <sup>1</sup>	22.0 <sup>1</sup>
Turin			34.6	38.6	32.1	..	..
			11.6	11.8	8.3	..	..

1 Only for municipalities with more than 50 000 inhabitants — *Source*: ISTAT.

2 *Source*: ISTAT, *Annuario Statistico dell'attività edilizia e delle opere pubbliche*.

in the First Plan. High prices of urban land, and administrative difficulties linked to the great number of public bodies concerned with housing have probably also contributed to the unfavourable trend in social housebuilding and to the misallocation as between congested and non-congested areas.

Basically the Reform Bill now under discussion seeks to improve the housing situation in three different ways. First, by a substantial increase in public residential construction; Lit. 2 500 billion are to be spent over a three-year period, probably starting in 1972 (this compares with only about 300 billion in the three years to 1970). Subsidised public loans will also be increased, funds will be provided for the urbanization of certain areas and for investment in infra-structure. Secondly, the government administration concerned with housebuilding, presently scattered between many different agencies, is to be streamlined with a view to centralizing the overall planning authority (Inter-Ministerial Committee for Planning) and decentralizing the operative authority at the regional level. Finally, radical innovations in expropriations criteria provide for maximum compensation of up to five times the agricultural value of the land.

### *The Health Reform*

This reform is primarily aimed at an administrative overhauling of numerous institutions providing health services, which in the last few years have been running an increasing deficit. The doubling of the net indebtedness of the social security system (excluding government transfers) over the last six years to just over Lit. 1 200 billion in 1970 was to a large extent due to the deficits incurred by the health service institutions. These have shown a strong expansion in recent years (partly due to the rapid rise in costs) accompanied by some redistribution of the use of resources in favour of the South. In 1968 the number of hospital beds per thousand people in the South was only slightly higher than ten years earlier despite the heavy emigration that had taken place; and it was still much lower than in the North.

At the national level, judging by the relatively high and rising rate of bed occupancy in 1956-1968, demand for hospital services seems to have outstripped supply particularly in Southern Italy. At the same time the public share of total hospital services has declined, a trend which has been particularly marked in the South. Thus, proportionately less resources in this field were available for the less privileged part of the population and average costs have probably risen.

The major lines of action envisaged in the reform now being discussed had already been considered in the first five-year Plan. An important feature is the creation of a National Service to coordinate both public and private health services. The basis of the new organisation will be the Local Health Unit which, under the responsibility of regional governments, will cover all the health services now carried out by a number of different bodies. Both general and specialist medical attention will be extended to the benefit of the whole population<sup>1</sup>. On the financing side, proportionately greater contributions of the budget to Health Service expenditure are envisaged.

Table 10 Selected indicators of health services

	1951- 1955	1956- 1960	1961- 1965	1966- 1970
A Share of public and private consumption of health services in % of GNP:				
Italy	4.7	4.7	4.8	5.6
South	5.5	5.8	6.0	6.8
	1956	1961	1968	
B Hospital beds per 1 000 inhabitants:				
Italy	8	9	10	
South	5	6	7	
C Share of public hospital beds, in %:				
Italy	85.9	84.1	82.1	
South	80.6	77.4	74.8	
D Bed occupancy rate in public hospitals, in %:				
Italy	79.0	79.3	81.7	
South	80.4	86.2	84.3	

Source: ISTAT.

### *Economic development of the South*

Regional disequilibria are probably one of the most serious problems in Italy today. Available statistics show that, after more than twenty years of government efforts to promote the industrialisation of Southern Italy, the gap in per capita income between the South and the rest of Italy has not narrowed, despite heavy migration to the North and abroad (Table 11).

<sup>1</sup> In 1970 some 49 million people (89.5 per cent of the resident population) were covered by the present mutual health system.



# Italy

Indeed, total GDP and industrial output have been growing less fast in the South than in the North and value added per employed person in both agriculture and industry has grown more slowly in the South. Moreover, industrial employment in the South rose less fast than in the North (in the period 1965-1969 employment in industry fell in the South). As a result, the South in recent years has accounted for only 22.7 per cent of total non-agricultural additional jobs in the country against the target of 40 per cent set in the First Plan.

Table 11 Indicators of regional disequilibria between North and South, 1951/53-1967/69

	1951-53		1967-69		1969-1951/53	
	North South					
	Average for Italy = 100				Average annual rate of change in %	
1 Area	59.2	40.8	59.2	40.8	—	—
2 Population	62.8	37.2	64.0	36.0	0.9	0.5
3 GDP at factor cost (1963 prices)	74.3	25.7	76.1	23.9	5.9	5.2
(i) Agriculture	62.1	37.9	59.8	40.2	2.5	3.1
(ii) Industry	82.9	17.1	83.4	16.6	8.0	7.4
(iii) Services	74.0	26.0	74.3	25.7	5.2	5.1
4 Industrial investment	84.3	15.7	75.4	24.6	4.4	8.3
5 Income per capita	122.0	63.0	120.8	63.0	8.3	8.4
6 Value added per employed in Agriculture	108.9	89.3	115.1	84.0	8.8	7.7
7 Value added per employed in Industry	106.9	76.9	109.1	70.4	6.7	5.9
8 Employment in Agriculture	57.8	42.2	52.1	47.9	-5.4	-3.7
9 Employment in Industry	76.9	23.1	76.5	23.5	1.9	1.7

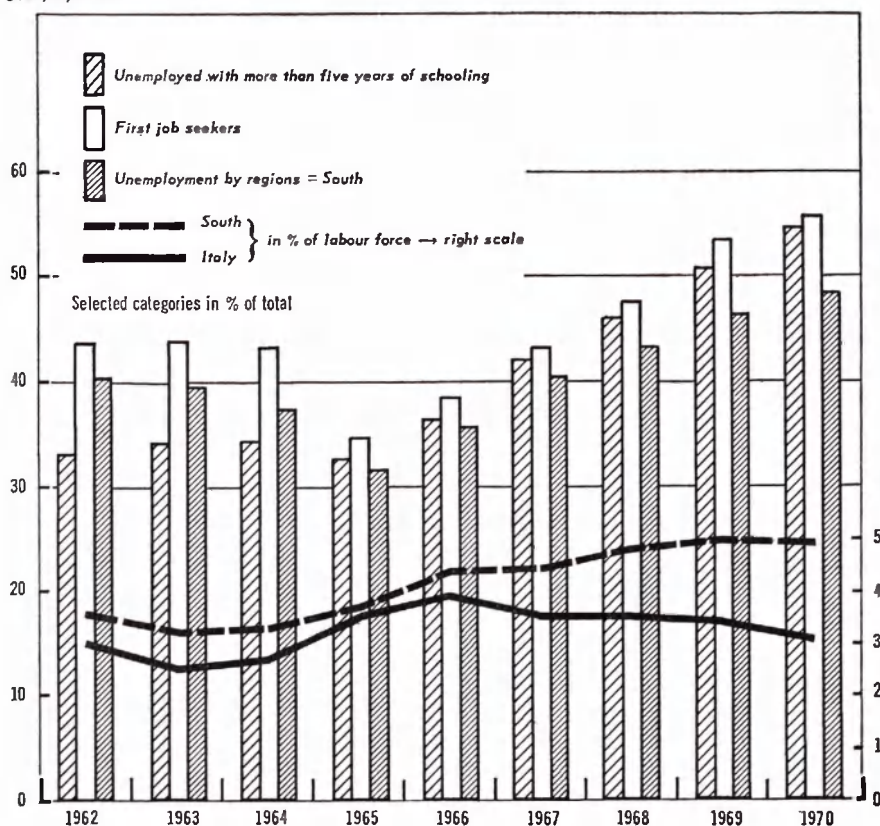
Source: ISTAT.

The failure of policy to promote fast industrialization in the backward areas of the country seems to have been due mainly to insufficient investment activity. Business investment did not respond as expected to the various kinds of incentives provided by the authorities, and public investment was much smaller than envisaged. The investment deficiency was acknowledged in the First Development Plan which fixed as one of its aims to raise to 40 per cent the South's share of national investment expenditure (from the 27 per cent recorded in 1962-1964). Estimates for 1966-1969 suggest that the share rose to only 27.4 per cent.

The Reform Bill aims, inter alia, at higher investment in the South by government and public enterprises: 40 per cent of all public investment and 80 per cent of new investment projects of public enterprises in 1971-1975 should be located in Southern regions. Subsidized loans, capital grants and budgetization of social security contributions will still be the main incentives provided for private investment, but the criteria for these incentives will be overhauled to promote, inter alia, a greater increase in employment. Provisions for budgetization will be more generous as from 1971.

Diagram 10 Unemployment: some structural features

% of total unemployment



Source: ISTAT.

Direct public investment in infra-structure through the "Cassa per il Mezzogiorno" will benefit from a considerable replenishment of funds. From an operational point of view the overall authority for Southern policy is to be centralised in the Inter-ministerial Committee for Economic Planning (CIPE) but the regions will take wider responsibilities than up to now, given the recent regional rearrangements of legislative and executive power.

### The Fiscal Reform

The tax reform which is due to come into effect as from 1st January 1972 will constitute a basic element of the reform strategy. The present out-dated and complex tax system will be replaced by a simplified and flexible one which should allow a better use of fiscal policy. In the field of direct taxation a single tax on personal income and a tax on corporate profits will replace the existing system of company and personal taxes. Also



envisaged (at the local level) are taxes on income from capital, professional income, corporate profits and capital gains from property. The simplification of direct taxation should represent a major step towards administrative efficiency and help to reduce tax evasion.

Indirect taxation is also being simplified, the present turnover tax, IGE (a cascade sales tax) accounting for some 37 per cent of all indirect taxes will be replaced by a tax on value added (TVA) applicable to all sales of goods and services<sup>1</sup>. The reform bill retains the stamp tax, registration tax and the tax on government concessions, together with certain major revenue producing taxes on the sales of mineral oils, electricity, spirits, tobacco, etc.

The tax reform is not intended to increase or decrease tax revenue: a special clause allows the government to alter tax rates, without prior Parliamentary approval to keep total tax revenues in line with past developments. It is difficult to say whether the reform will entail a change in the relative importance of direct and indirect taxation. Much will depend on how much direct tax evasion is reduced by the simplification of the system and the introduction of a centralized registry of tax data.

The change to value-added taxation may have important implications both for prices and investment. Experience from other countries shows that changes in the incidence of indirect taxes entailed by the introduction of TVA may lead to a stronger rise in prices than the "mechanical" effect of the change would suggest; it has in particular been difficult to ensure that price cuts were made when the change to TVA represented a reduction in indirect taxation. Much may depend on demand conditions at the time the value added tax will be implemented. The deductibility of TVA paid on capital goods from the overall TVA liability may discourage purchases of capital goods before the reform and induce a boom thereafter unless corrective measures are taken. Germany, Holland and Belgium have coped with this problem by applying an increasing rate of deductibility during the first 3-5 years. It seems probable that Italy will adopt the same solution, together, perhaps, with an outright incentive to invest in the period immediately preceding the reform through the exemption of the present sales tax (IGE) on investment goods.

## V POLICY ISSUES AND CONCLUSIONS

The interruption of the expansionary trend of the economy has now lasted nearly two years. The growth of the national product has been very slow since the summer of 1969. Industrial production recovered sharply in early 1970, after a big fall due to massive strikes, but has marked practically no progress thereafter. The origins of the virtual stagnation of output were not of a cyclical nature. Recurrent work stoppages were initially the

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1 The standard rate will be put at 12 per cent with rates of 6 per cent and 18 per cent being applicable to essential goods and services and "luxuries" respectively. A preferential treatment is being considered for food products.

main factor preventing an increase of production. But the interaction of causes extraneous to the economic cycle and of developments in incomes, costs and external transactions has created a change in the economic situation in the first half of 1971. Continuing disturbances in the productive sector still constitute an obstacle to appreciable increases in output. But signs of deficient demand have become increasingly numerous, pointing to some risk of a cumulative deflationary process. Non-agricultural employment continued to rise until early 1971, partly because of negotiated reductions in the working week. It could be unfavourably affected during the rest of the year if, on top of the foreseeable decline in the labour-intensive housebuilding sector, other demand components — and in particular business investment — were to weaken further.

Economic policy is thus faced with difficult tasks. Policy formulation has not been easy over the last year and a half, when economic trends changed frequently, social and political uncertainties prevailed and considerable strains developed for a time on the balance of payments. One of the important achievements of policy in this period was the considerable expansion of investment of both general government and state-owned enterprises; this helped to sustain total investment and, in the early months of 1971, was probably one of the few buoyant elements of aggregate domestic demand. Monetary policy was tightened up to the summer of 1970 (thus making difficult the situation of smaller firms who could less easily absorb the large wage increases) because of a disquieteningly large capital outflow and speculation against the currency. After the successful reversal of the outflow, partly by means of large borrowing abroad by public institutions and enterprises, monetary policy was progressively relaxed. The package of fiscal measures of August 1970 had an immediate favourable influence in restoring confidence in the currency. Its net demand impact was, as explained earlier in this Survey, probably more restrictive than intended. At the beginning of 1971, on the basis of forecasts of relatively strong private investment demand and of an early upswing in production, the Government fixed certain limits to the permissible deficit of the Treasury. However, their economic justification disappeared as the weakness of private domestic demand became progressively clearer.

At the time of writing, the authorities are considering the adoption of a package of reflationary measures. Certain decisions have already been announced — e.g. steps to counteract the decline of activity in housebuilding — but recent developments seem to call for determined expansionary action with relatively quick effects. Apart from the need to prevent an increase of unemployment such a policy seems clearly appropriate on purely economic grounds. The current balance of payments is probably in surplus and the large increase of official reserves provides a margin for the adjustment of demand management to domestic requirements. Prices will inevitably continue for some time to reflect the earlier large increases of costs. But recessionary developments would hardly contribute, except very temporarily, to dampen price inflation. On the contrary, stimulatory action aimed particularly at encouraging private investment seems the best way of reducing gradually the pressure on costs.

The present margin of unused resources suggests that reflation might be general. But looking beyond the immediate future there is clearly great need for discrimination in favour of steps that encourage productive and social investment, help to reduce costs and limit price increases and create increased employment opportunities. Moreover, it would be desirable that some of the expansionary measures should be easily reversible. In order to achieve their purpose, the selective stimulating measures would have to add up to a relatively important aggregate impact and exert their effects rather quickly. The early announcement of definite decisions in this field would, by itself, have a favourable influence, because the expectation of new measures has apparently held back certain business decisions.

The first objective of a selective expansionary policy would seem to be the maintenance of the recent rising trend of investment by the Government, public agencies and State-owned enterprises. Investment plans of State enterprises for 1971 are, indeed, so large that special efforts may be needed to implement them in time. On the other hand, so long as private demand remains weak, increased recourse to government borrowing will be justified to finance additional public expenditure, not only for investment and capital transfers, but also on current account. It would seem advisable to postpone, for the time being, any increase in public tariffs and government-controlled prices. The recent reduction of taxes on oil products, to offset the rise in world market prices, suggests that the authorities are prepared to act on these lines. The freezing of public tariffs will probably need to continue during the early months of 1972, and to be accompanied by special measures of price surveillance, in view of the risk that the change next January to the value-added tax may provoke unjustified price increases.

Apart from the direct influence of the public sector, measures to support private investment activity could be considered. Under present circumstances, their budgetary cost should not be compensated by means which would impinge on private incomes and demand. The temporary reduction of employers' social security contributions and an immediate cut of the transaction tax on investment (anticipating the results of the switch to the value-added tax) are apparently among the steps being examined. Both present the advantages of being simple, having quick effects, and reducing pressures on costs and prices. According to earlier Italian experience, changes in social security contributions could easily be reversed in the future, should this be warranted by the state of the economy. So far as monetary policy is concerned it is demand for credit rather than its availability which is weak. Nevertheless, further special measures might be feasible to facilitate finance of housing and of small enterprises. But the general level of interest rates cannot be allowed to decline to such an extent as to create new incentives for capital outflows.

The Government is, currently, preparing important structural reforms. These include a reshaping of the tax system to come into force in 1972, basic changes in housebuilding legislation, an overhaul of the Health Service and plans to promote economic development in the South. Some of the legislation is already in course of parliamentary approval and it is to be hoped that these extensive reforms will become effective as soon as possible.

Their importance in helping to correct economic disequilibria and to solve acute social problems needs hardly to be stressed. In addition, early decisions on these plans would reduce some uncertainties affecting business investment plans and should have a favourable influence on the social climate.

The present phase of relatively weak domestic demand provides a favourable opportunity for the application of reform measures, which apart from their other consequences involve certain increases of public expenditure. These reforms, however, will absorb in the future an appreciable volume of resources. Additional supply to satisfy increasing individual and collective claims requires that the process of economic expansion is resumed. The underlying potential of the Italian economy is probably considerable, with the balance of payments still quite strong (cf. last year's surplus despite the special strains and difficulties). No economic system, however, can withstand indefinitely, without serious damage, a situation in which the productive apparatus does not function normally.



## ADDENDUM

### RECENT POLICY MEASURES

After the present Survey had been finalised, the Italian Government, on 3rd July 1971, announced a series of expansionary measures aimed at helping mainly small and medium-sized enterprises.

Several measures become effective as soon as the relevant decree-law is published, but must be approved by Parliament within 60 days. They may be classified under two general headings:

#### 1 *Budgetisation of social security contributions*

- (a) Employers' contributions to the Insurance Fund for Old Age and Unemployment (INPS) will be reduced by an amount equal to 5 per cent of the wage bill used as a basis for contributions. This measure will apply for one year only and to a workforce of up to 300 persons for firms with a total payroll not exceeding 500. Certain branches are excluded — e.g. building enterprises which benefit from earlier special measures.
- (b) A partial budgetisation of contributions of all enterprises located in the South was introduced in October 1968. This is now increased to 30 per cent of the basic wage bill, but the increase applies only to additional employment. These incentives, due to expire at the end of 1972, are prolonged until the end of 1980 in order to influence long-term business plans.

#### 2 *Special credit facilities*

New transfers from the budget to several funds managed by the Special Credit Institutions will allow an expansion of credit granted on favourable terms to particular categories of borrowers — small and medium firms, artisans, agricultural enterprises, etc. Parallel measures increase the budget appropriations for subsidisation of interest rates paid on these categories of credit. Another measure consists of a substantial increase of budget appropriations to speed up tax refunds to exporters.

The legislative texts include estimates of the budget cost of each of the above measures, but according to Italian rules these estimates are on a "commitment basis" and refer to varying time-periods. For the measures under 1 above, no official estimates have been announced yet concerning their actual cost (on a cash basis) during the next twelve months. According to tentative calculations by the Secretariat it may be of the order of 250 billion lire. This would imply a reduction of labour costs by some 3 per cent for the enterprises concerned, which employ about three quarters of the labour force excluding agriculture, construction and the



government sector. As for the measures under 2, their impact on the economy cannot be assessed mainly by reference to their budgetary cost.

### 3 *Reductions in turnover tax liability*

The Government announced that it will propose an amendment to the bill on tax reform, currently under discussion in Parliament, the effect of which will be to reduce liabilities under the turnover tax (IGE) on certain transactions taking place during the second half of 1971. The following categories of turnover tax payments will be fully deductible from firms' tax liabilities under the value-added tax, due to be introduced on 1st January 1972:

- (a) IGE tax paid on purchases of investment goods by all enterprises during the 6 months preceding the introduction of TVA.
- (b) IGE tax paid on purchases of raw materials and intermediate goods by industrial enterprises during the 4 months preceding the introduction of TVA (during 2 months for similar purchases by trading enterprises).

*Annex I*

**ESTIMATES OF THE STRUCTURE OF COSTS  
AND REVENUE OF MANUFACTURING ENTERPRISES**

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### *Annex I*

## **ESTIMATES OF THE STRUCTURE OF COSTS AND REVENUE OF MANUFACTURING ENTERPRISES**

An attempt is made here to construct the production account of manufacturing enterprises in order to estimate the structure of their costs and revenues by major components in the period 1961-1970. (Table 1). The yearly estimates are based on three input-output tables of the Italian economy already published (1959, 1965 and 1967)<sup>1</sup> which have been linked and extrapolated by means of indicators of prices and quantities.

Total revenues are assumed to be equal to gross output, which in its turn is equivalent to the gross value of the goods produced. That is, all goods are considered to be sold either abroad (as exports) or at home, and no estimates are made, due to the lack of statistical data, of that part of output which goes into the stocks of the producer, either as work-in-progress or finished goods, or becomes part of his fixed capital formation. Because of this, total revenue of enterprises may have been somewhat over-estimated.

The yearly evolution of gross output has first been estimated in volume, valued at ex-factory prices<sup>2</sup>, by using the official real value added series prepared by the National Institute of Statistics (ISTAT) as a proxy variable. A previous comparison had shown that real gross output obtained from the input-output tables through separate deflation of exports and domestic sales followed very closely the evolution of real value added between 1959 and 1967.

Exports<sup>3</sup> deflated by non-food average unit values have been subtracted from gross output to arrive at domestic sales in volume at ex-factory prices. (Table 2). This last has been inflated by an index of wholesale non-agricultural prices, and after deducting net indirect taxes on manufactured goods an estimate of domestic sales at factor cost has been obtained. As shown in Table 1 an increasing share of total output of manufacturing enterprises has been going into exports, which at the end of the period under review accounted for about 22 per cent of total sales, as against 15.7 per cent nine years earlier. Diagram 1 shows that this was almost exclusively due to

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1 The input-output table for 1959 has been tentatively adjusted to take into account a slight subsequent revision of value added in manufacturing. Another adjustment has been made to deduct those services from Public Administration which were considered as inputs of enterprises in order to realign the 1959 table with those of 1965 and 1967 which follow in this respect the standardized OEEC definitions.

2 These are the prices at which commodities leave the producer, including net indirect taxes but excluding trade and transport margins. If net indirect taxes payable on the output are deducted an approximate measure of factor cost values is obtained.

3 Exports of manufactured goods (customs basis) have been calculated at ex-factory prices through elimination of trade and transport margins. Some exports of manufacturing not covered by customs statistics (repairs, servicing, etc.) have finally been added in order to arrive at total foreign sales (Table 2, a, b).

Table 1 The Structure of Output and Costs of Manufacturing Enterprises  
At current prices, in percentages

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<b>OUTPUT (at factor cost)</b>										
Domestic sales	84.3	84.4	84.6	82.6	79.8	79.8	79.9	78.2	77.3	77.9
Exports	15.7	15.6	15.4	17.4	20.2	20.2	20.1	21.8	22.7	22.1
Total	100	100	100	100	100	100	100	100	100	100
<b>Costs</b>										
Materials and energy	60.4	59.1	56.3	55.4	55.6	57.1	56.6	56.6	56.0	54.4
Domestic purchases	37.7	37.4	33.2	34.3	34.8	35.0	34.4	35.3	32.6	30.5
Foreign purchases	22.7	21.7	23.1	21.1	20.8	22.1	22.2	21.3	23.4	23.9
Other inputs	10.2	10.6	10.5	11.1	11.7	11.6	11.1	11.3	10.9	10.6
Labour	29.4	30.3	33.2	33.5	32.7	31.3	32.3	32.1	33.1	35.0
Total	100	100	100	100	100	100	100	100	100	100

Sources : ISTAT and Secretariat estimates.



Table 2 Foreign Sales, Domestic Sales and Total Output in Manufacturing  
Billion lire

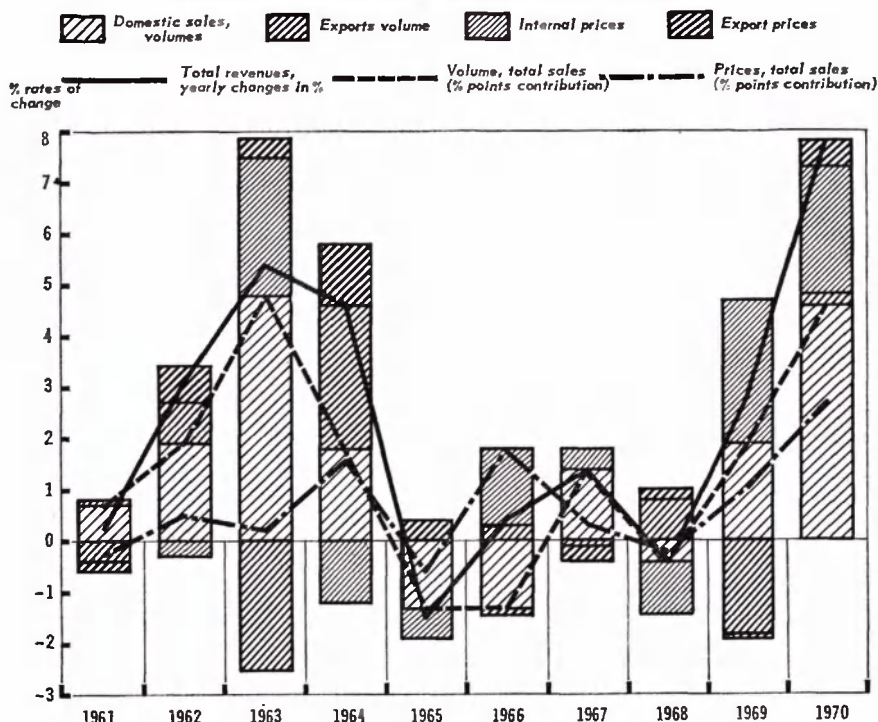
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
(a) Exports of manufactured goods	2 327	2 590	2 856	3 399	4 112	4 633	5 062	6 044	6 905	7 817
(b) Foreign sales at factor cost <sup>1</sup>	2 257	2 512	2 770	3 297	3 984	4 494	4 921	5 824	6 698	7 582
(c) Average values, non food exports (indices)	102.2	102.4	103.1	105.9	100.0	98.0	99.0	97.4	100.8	108.4
(d) Foreign sales (at 1965 prices)	2 208	2 453	2 687	3 113	3 984	4 586	4 971	5 979	6 645	6 994
(e) Total output, ex-factory prices (1965 prices)	17 470	19 339	20 596	20 864	21 949	24 407	26 911	29 414	31 385	33 896
(f) Domestic sales (1965 prices) (e — d)	15 262	16 886	17 909	17 751	17 965	19 821	21 940	23 435	24 740	26 902
(g) Wholesale non agricultural prices (indices)	89.4	90.7	95.0	99.1	100	101.4	101.4	101.4	104.8	113.1
(h) Domestic sales, value, ex-factory prices	13 626	15 302	17 016	17 595	17 965	20 085	22 247	23 760	25 946	30 435
(i) Indirect taxes on manufact.	1 538	1 676	1 770	1 981	2 226	2 344	2 693	2 828	3 200	3 680
(l) Domestic sales, value, factor cost	12 088	13 626	15 246	15 614	15 739	17 741	19 554	20 932	22 746	26 755
(m) Total output at factor cost (l + b)	14 345	16 138	18 016	18 911	19 723	22 235	24 475	26 756	29 444	34 337
(n) Prices charged by enterprises <sup>2</sup> (indices)	91.4	92.8	97.3	100.9	100	101.3	101.1	101.1	104.2	112.6

1 Adjusted for exports not covered by customs statistics (repairs, servicing, etc.) and trade and distribution margins.

2 m : e in index form.

Sources : ISTAT and Secretariat estimates.

Diagram 1 Contributions to changes in total revenues



Sources: ISTAT, ISCO and Secretariat estimates.

the strong growth in the volume of exports. On the contrary, export prices rose moderately and lagged far behind domestic prices, particularly between 1964 and 1968 when export prices actually declined, probably reflecting a marked improvement in the evolution of costs.

On the input side of the production account the costs components considered in this exercise are inputs of materials and energy (valued at ex-factory prices), related margins and other services, and labour costs: that is, neither depreciation nor operating surplus are included. Inputs of materials and energy have first been estimated in volume. The ratio between average rates of change for outputs and inputs (in volume) prevailing from 1959 to 1965 has been used to compute rates of change for volume of inputs in intervening years. The same ratio for 1959-67 has dictated the evolution of inputs for 1968-70.

Imports<sup>1</sup> in volume have then been deducted from total inputs. The resulting quantity index for domestic purchases has been used together with

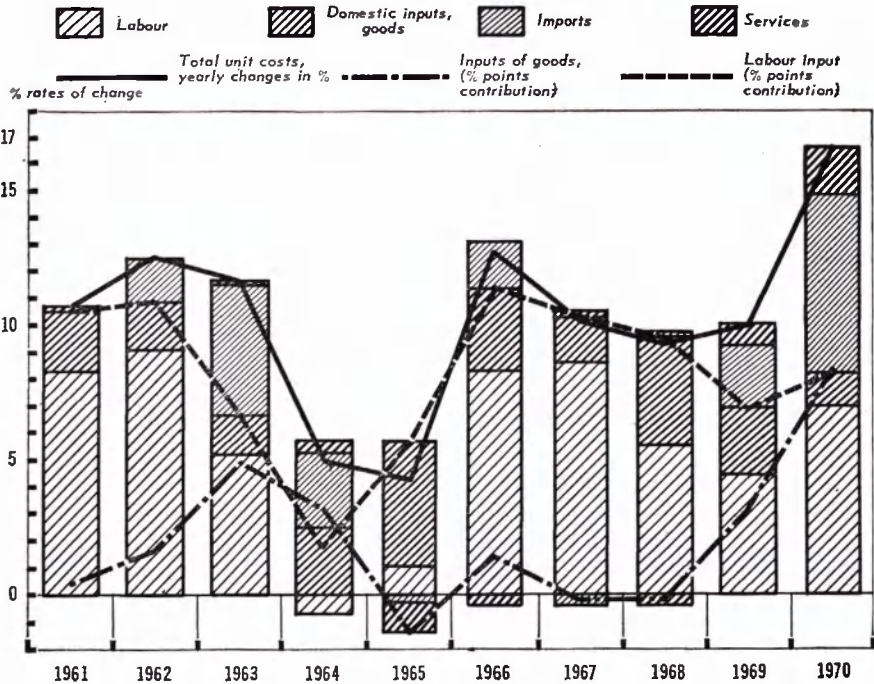
1 The 77 sectors input-output table has allowed a detailed reconstruction of the import content of inputs. A reconciliation with customs statistics has supplied about 70 items covering all imports of manufacturing. Indirect taxes on imports have been added to arrive at "foreign purchases" of goods (Table 3, a, b).

Table 3 Material Inputs : Foreign and Domestic Purchases  
Billion lire

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
(a) Imports of manuf. enterp., customs basis	2 331	2 560	3 073	2 969	3 045	3 614	4 069	4 250	5 150	6 135
(b) Foreign purchases (incl. taxes)	2 646	2 896	3 464	3 340	3 412	4 047	4 550	4 749	5 741	6 832
(c) Average unit values for imports (1959 = 100)	97.9	96.0	96.5	101.4	103.6	104.6	104.4	104.1	107.0	112.8
(d) Foreign purchases, volume	2 703	3 017	3 590	3 294	3 293	3 869	4 358	4 562	5 365	6 057
(e) Total material inputs, volume	7 040	7 723	8 031	8 047	8 193	9 300	10 324	11 170	11 823	12 651
(f) Domestic purchases, volume (e — d)	4 337	4 706	4 441	4 753	4 900	5 431	5 966	6 608	6 458	6 594
(g) Price index for domestic purchases (1959 = 100)	101.6	105.9	111.5	114.4	116.8	118.3	118.4	119.4	123.8	131.9
(h) Domestic purchases, value	4 407	4 984	4 954	5 439	5 723	6 421	7 064	7 890	7 996	8 692
(i) Total purchases, value (b + h)	7 053	7 880	8 418	8 779	9 135	10 468	11 614	12 639	13 737	15 524

Sources : ISTAT and Secretariat estimates.

Diagram 2 Contributions to changes in total unit costs



Sources: ISTAT, ISCO and Secretariat estimates.

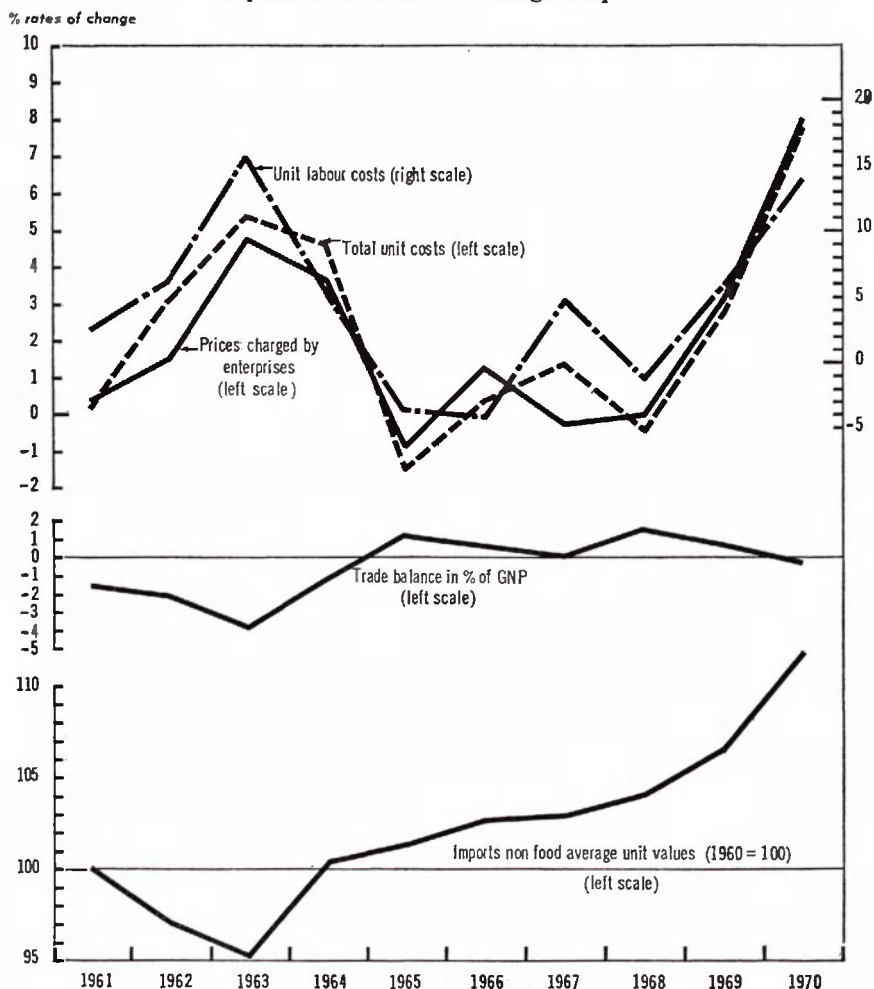
a specially constructed index of prices<sup>1</sup> to obtain domestic purchases in value (Table 3). The other inputs have been estimated separately for services directly linked with production and for other services. The input-output tables have supplied three ratios of trade and transport services to inputs of domestic goods showing a steadily rising trend from 1959 to 1967 which has been extrapolated to the remaining years. Inputs of all other services showed a rather irregular evolution rising, as a share to gross output, between 1959 and 1965, falling between 1965 and 1967. It has been assumed that in 1969-1970 this ratio would remain at the 1967 level. Cost of labour is equal to national accounts estimates of compensation of employees in manufacturing.

Contrary to output the external component of material inputs has shown a relative stability between 1961 and 1968 whereas the domestic component declined somewhat, despite the fact that the prices for domestic purchases rose in the period nearly three times as fast as average unit values of imports (Table 3). The share of imports rose markedly in 1969 and 1970

1 The price index for inputs of domestic goods and energy is a weighted average of: a) wholesale prices for agricultural goods, b) wholesale prices for non-agricultural goods, c) wholesale prices for "materie auxiliare" (electricity et al.).

mainly due to the known domestic supply difficulties which swelled imports of semi-manufactures, but also to a strong rise of import prices. Labour costs show a long term rising trend made up of steep rises in years of wage negotiations, followed by periods of adjustment to the new share level. Indeed as shown in Diagram 2 it is the violent changes in labour costs which mainly determined the evolution of total unit costs, although the changes in the prices of material inputs have at times also been important. Thus, unit labour costs rose roughly the same in the wage explosions of 1963

Diagram 3 Comparative evolution of costs and prices,  
the pressure of demand and foreign competition



Sources: ISTAT, ISCO and Secretariat estimates.



and 1970, but total costs rose significantly faster in the last year due to a much bigger contribution of material inputs, mainly imported.

The foregoing estimates are of course subject to margins of error which are probably bigger for the absolute values of costs and revenues than for their respective yearly evolution. And errors may be even bigger for variables obtained as a residual, such as the operating surplus<sup>1</sup> which might be arrived at by subtracting total costs from total revenue. As a matter of fact the estimates of valued added obtained from the production accounts differ in some cases, but notably in 1970, from official national accounts figures. It should be borne in mind, however, that the last "General economic report" has stressed the provisional nature of the 1970 estimates, indicating an upward revision to be likely.

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1 Operating surplus during a given period is the excess of the value added over the sum of the costs of employee compensation and consumption of fixed capital incurred during the period.

***STATISTICAL ANNEX***

Table A National Accounts  
(a) Expenditure and Output  
*Billion lire*

	Current prices					1963 prices				
	1966	1967	1968	1969	1970	1966	1967	1968	1969	1970 <sup>1</sup>
<b>EXPENDITURE :</b>										
1 Private consumption	25 561	28 214	30 066	32 879	37 220	22 688	24 310	25 492	27 087	29 241
2 Public consumption	5 521	5 861	6 382	6 910	7 404	4 535	4 729	4 925	5 088	5 250
3 Gross domestic fixed capital formation	7 283	8 323	9 322	10 695	12 327	6 550	7 320	8 027	8 669	8 995
<i>of which</i> : Construction	4 710	5 258	5 909	6 994	7 809	4 088	4 413	4 822	5 274	5 159
Machinery and equipment	2 573	3 065	3 413	3 701	4 518	2 462	2 907	3 205	3 395	3 836
4 Change in stocks	387	634	80	440	905	302	420	70	322	760
5 Exports of goods and services	6 878	7 442	8 509	9 761	10 858	6 758	7 204	8 304	9 375	9 885
6 <i>less</i> : Imports of goods and services	6 072	6 919	7 380	8 927	10 777	5 767	6 501	6 975	8 379	9 724
7 GDP at market prices	39 558	43 555	46 979	51 758	57 937	35 066	37 482	39 843	42 162	44 407
8 Income payments from the rest of the world	516	523	610	804	929	453	492	575	730	829
9 <i>less</i> : Income payments to the rest of the world	245	274	309	413	622	215	265	301	397	565
10 Net factor income from abroad	271	249	301	391	307	238	227	274	333	264
11 GNP at market prices	39 829	43 804	47 280	52 149	58 244	35 304	37 709	40 117	42 495	44 671
<b>OUTPUT :</b>										
1 Agriculture, forestry and fishing	4 482	4 905	4 650	5 171	5 330	4 249	4 566	4 431	4 578	4 578
2 Manufacturing, mining and public utilities	10 590	11 706	12 858	14 227	16 542	10 014	10 954	11 994	12 816	13 842
3 Construction	2 672	2 976	3 332	3 906	4 441	2 117	2 237	2 436	2 621	2 588
4 Services, private sector	13 260	14 619	16 190	17 802	19 886	11 323	11 997	12 900	13 736	14 624
5 Public administration	4 329	4 533	4 910	5 256	5 650	3 490	3 570	3 674	3 747	3 859
6 GDP at factor cost	35 333	38 739	41 940	46 362	51 849	31 193	33 324	35 435	37 498	39 491

1 Provisional estimates.

Sources : ISTAT (National Accounts) and *Relazione Generale* 1970.

Table A National Accounts  
(b) Distribution of National Income

	Billion lire, current prices					Percentage distribution				
	1966	1967	1968	1969	1970	1966	1967	1968	1969	1970
1 Share of households and independent traders	30 658	33 806	36 458	40 339	45 530	95.1	95.6	95.0	95.0	96.5
(a) Compensation of employees	18 134	19 990	21 757	24 010	27 840	56.3	56.5	56.7	56.5	59.0
(b) Income of independent traders	9 726	10 635	11 073	12 294	13 177	30.2	30.1	28.8	28.9	27.9
(c) Interest, rent, dividends	2 798	3 181	3 628	4 035	4 513	8.7	9.0	9.4	9.5	9.6
2 Share of corporations	1 519	1 562	2 028	2 193	1 758	4.7	4.4	5.3	5.2	3.7
(a) Direct taxes	678	808	864	902	916	2.1	2.3	2.2	2.1	1.9
(b) Saving (non distributed)	841	754	1 164	1 291	842	2.6	2.1	3.1	3.1	1.8
3 Share of public administration	58	6	-94	-50	-128	0.2	—	-0.2	-0.1	-0.3
(a) Government income from property and entrepreneurship	852	924	978	1 163	1 266	2.6	2.6	2.5	2.7	2.7
(b) less : Interest on public debt	794	918	1 072	1 213	1 394	2.5	2.6	2.8	2.9	3.0
4 National income (= 1 + 2 + 3)	32 235	35 373	38 392	42 482	47 160	100.0	100.0	100.0	100.0	100.0

Sources : ISTAT (National Accounts) and Relazione Generale 1970.

**Table B Estimates of Quarterly National Accounts**  
Volume indices, 1967 = 100 (at constant 1963 prices) seasonally adjusted

	1968	1969					1970				
	Year	I	II	III	IV	Year	I	II	III	IV	Year
1 GDP at factor cost	106.3	112.2	113.9	114.4	109.5	112.5	118.9	117.9	118.0	119.3	118.5
<i>of which :</i>											
Agriculture	97.0	97.1	97.0	103.0	104.0	100.3	100.0	100.0	100.3	100.8	100.3
Industry	109.5	117.7	120.7	119.7	109.9	117.0	127.4	125.5	125.5	127.1	126.4
Construction	108.9	122.6	116.8	113.8	115.4	117.2	122.3	116.0	111.4	113.1	115.7
Services	106.5	111.3	113.7	114.2	110.0	112.3	118.0	118.0	118.9	120.0	118.7
2 GNP at market prices	106.4	112.3	114.0	114.4	109.5	112.6	118.7	117.6	117.7	119.0	118.3
3 Imports of goods and services	107.5	118.4	129.5	132.8	138.1	129.7	146.4	150.3	154.4	157.1	152.1
4 Exports of goods and services	115.4	128.3	138.5	131.9	126.4	131.3	132.3	140.6	142.3	141.7	139.2
5 Total domestic demand	104.7	110.2	111.9	114.2	111.4	111.9	121.1	119.0	119.6	121.5	120.3
<i>of which :</i>											
Investment in machinery and equipment	110.3	115.7	125.7	119.9	105.8	116.8	126.6	131.5	132.0	137.7	132.0

Source : Relazione Generale 1970.



Table C Industrial Production Indices  
(1966 = 100)

	Annual averages						Seasonally adjusted quarterly indices								
	1965	1966	1967	1968	1969	1970	1969				1970				1971
							I	II	III	IV	I	II	III	IV	I
1 Mining	96	100	106	117	122	125	119	123	123	123	121	124	127	126	117
2 Manufacturing	89	100	109	115	119	128	122	124	122	111	129	127	126	128	125
3 Food and drink	98	100	105	110	119	128	118	117	120	123	127	128	126	129	128
4 Textiles	86	100	98	98	104	104	103	106	104	106	104	105	103	103	102
5 Iron and steel	93	100	117	127	126	133	135	140	129	106	141	143	134	121	130
6 Engineering goods	91	100	113	118	120	135	124	131	123	101	135	135	132	138	132
7 Transport equipment	86	100	108	111	110	131	122	116	115	86	133	118	128	137	127
8 Chemicals	86	100	108	120	121	129	121	131	127	106	129	129	131	126	126
9 Petroleum and coal products	87	100	106	116	128	143	124	127	131	129	143	139	141	147	145
10 Electricity, gas and water works	92	100	107	114	119	125	120	120	116	117	122	125	125	129	131
GENERAL INDEX	90	100	108	115	119	127	122	124	122	111	129	127	126	128	126
1 Investment goods <sup>1</sup>	91	100	112	120	123	131	125	131	124	110	133	131	128	131	127
2 Consumption goods <sup>1</sup>	88	100	105	110	117	124	117	117	119	113	125	123	124	124	123
3 Intermediate products	91	100	109	119	125	128	124	129	126	117	129	129	126	125	125

<sup>1</sup> Excluding automobiles.

Sources : ISTAT and ISCO.

Table D Price Indices  
(1966 = 100)

	1968	1969	1970	1970				1971
				I	II	III	IV	I <sup>a</sup>
WHOLESALE PRICES :								
Agricultural products	101.0	106.9	112.1	112.7	114.6	110.4	110.6	113.3
Non-agricultural products	100.0	103.5	111.7	109.7	111.3	112.1	113.8	114.7
Investment goods	101.2	107.9	119.9	118.8	120.4	120.3	120.2	120.7
Consumer goods	99.0	102.9	109.4	107.9	109.4	109.3	111.0	112.5
Intermediate goods	105.1	102.5	106.6	104.3	105.0	106.6	110.6	111.9
GENERAL INDEX	100.2	104.1	111.7	110.2	111.7	111.8	113.2	114.2
CONSUMER PRICES :								
Food products	102.0	104.9	109.4	107.6	109.2	110.0	110.9	111.9
Non-food products	103.1	105.0	111.0	108.6	109.9	111.3	114.3	115.6
Services	113.0	116.7	122.8	121.0	122.3	122.9	124.8	126.7
GENERAL INDEX	105.1	107.8	113.2	111.2	112.7	113.6	115.3	116.8
CONSUMER PRICES FOR WORKING-CLASS FAMILIES <sup>1</sup> :								
Food	101.5	104.2	108.9	107.2	108.6	109.4	110.4	111.4
Clothing	104.0	107.1	115.1	112.1	113.8	115.5	118.9	121.0
Housing	107.7	113.4	119.6	118.4	119.2	120.0	120.8	121.8
GENERAL INDEX	103.3	106.2	111.6	109.7	111.0	112.0	113.8	115.2

1 Previously "cost-of-living index".

2 New series as from 1971 (1970 = 100).

Source : ISTAT.

Table E Employment<sup>1</sup>  
Thousands

	1963	1964	1965	1966	1967	1968	1969	1970	1970				1971
									Jan.	April	July	Oct.	Jan.
<b>A LABOUR FORCE, TOTAL</b>	20 134	20 130	19 920	19 653	19 796	19 763	19 534	19 571	19 330	19 429	19 801	19 725	19 391
Total in % of population	40.3	39.7	38.8	37.8	37.8	37.4	36.8	36.6	36.2	36.4	37.0	36.8	36.1
1 Employment													
Dependent employment	12 702	12 620	12 299	12 166	12 433	12 566	12 752	13 009	12 869	12 944	13 103	13 121	13 085
Independent employment	6 928	6 961	6 900	6 718	6 674	6 503	6 119	5 947	5 774	5 947	6 075	5 989	5 630
Total employment	19 630	19 581	19 199	18 884	19 107	19 069	18 871	18 956	18 643	18 891	19 178	19 110	18 715
of which: Underemployed	348	397	520	291	243	256	276	250	349	209	220	224	502
2 Unemployment													
Unemployed (excluding school leavers)	282	312	470	475	391	363	308	272	341	253	245	252	360
School leavers	222	237	251	294	298	331	355	343	346	285	378	363	316
Total unemployment	504	549	721	769	689	694	663	615	687	538	623	615	676
Total in % of labour force	2.5	2.7	3.6	3.9	3.5	3.5	3.4	3.1	3.6	2.8	3.1	3.1	3.5
3 Unemployment by main regions (in % of regional labour force)													
North West Italy	1.5	1.9	3.3	3.1	2.6	2.3	1.9	1.9	..	..	..	..	..
North East Italy	2.8	3.1	4.1	4.2	3.3	3.0	3.2	2.7	..	..	..	..	..
Central Italy	2.6	2.6	3.5	4.0	3.5	3.8	..	..	..	..	..	..	..
Southern Italy	3.2	3.3	3.7	4.4	4.4	4.8	5.0	4.9	..	..	..	..	..
<b>B OTHER POPULATION</b>	29 815	30 600	31 460	32 274	32 613	33 015	33 567	33 915	34 076	33 991	33 705	33 887	34 388
<b>C TOTAL PRESENT POPULATION</b>	49 949	50 730	51 380	51 927	52 409	52 778	53 101	53 486	53 406	53 420	53 506	53 612	53 779

1 Estimates of national aggregates extrapolated from quarterly sample surveys.

Sources : ISTAT and Relazione Generale 1970.

Table F Wages and Salaries  
Indices, 1966 = 100

Excluding family allowances										Including family allowances				
			1970				1971				1971			
			1968	1969	1970	I	II	III	IV	I <sup>2</sup>	1968	1969	1970	I <sup>2</sup>
I INDICES OF WAGES AND SALARIES														
A Minimum contractual wage rates:														
1	Agriculture		114.8	127.2	149.4	140.9	147.1	153.1	156.4	161.2	112.9	122.8	141.5	152.1
2	Industry		109.0	117.0	141.2	136.3	140.0	142.4	145.9	155.0	107.8	114.7	135.3	146.9
	of which:													
	Manufacturing		109.0	117.2	142.5	136.3	141.1	144.2	148.6	157.7	107.6	114.6	135.9	148.9
	Construction		109.2	116.7	139.5	137.6	138.8	139.9	141.9	..	108.2	115.0	134.8	..
3	Transport		105.9	111.3	126.4	122.8	125.5	128.0	129.4	139.5	105.0	109.7	122.8	134.5
4	Commerce		107.6	113.2	128.1	121.8	123.5	133.1	133.9	135.1	106.5	111.2	123.7	129.8
B Minimum contractual salaries:														
1	Industry		108.3	113.9	130.0	126.3	129.0	130.9	133.8	139.8	107.5	112.5	126.9	135.9
2	Commerce		107.4	113.3	126.7	121.2	122.9	130.9	131.7	133.0	106.6	111.8	123.5	128.9
3	Public administration		105.0	108.8	111.9	111.9	111.9	111.9	111.9	122.3	104.3	107.5	110.2	119.2
			1966	1967	1968	1969	1970							
II HOURLY WAGE EARNINGS (in lire)														
Industry <sup>1</sup>			559	589	616	675	818							
of which:														
Construction			587	604	634	679	808							

1 Firms covered by the Ministry of Labour survey.

2 January-April.

Sources : ISTAT and Relazione Generale 1970.

Table G Public Sector Accounts  
National accounts concepts—Cash basis  
(a) Central Government<sup>1</sup>

	Billion lire				% increases			
	1967	1968	1969	1970	1967	1968	1969	1970
1 Tax revenue	7 383	8 058	8 767	9 361	11.5	9.1	8.8	6.8
2 Other current receipts	473	462	420	449	..	..	..	..
3 Total current receipts	7 856	8 520	9 187	9 810	12.1	8.5	7.8	6.8
4 Current expenditure on goods and services	3 747	4 093	4 422	4 609	3.4	9.2	8.0	4.2
5 Current subsidies and transfers	2 686	3 553	4 169	4 744	-8.7	32.3	17.3	13.8
6 Total current expenditure	6 433	7 646	8 591	9 353	-2.0	18.9	12.4	8.9
7 Net current saving	1 423	874	596	457	..	..	..	..
8 Depreciation allowances and capital account receipts	78	83	88	273	..	..	..	..
9 Gross investment	236	301	260	346	22.9	27.5	-13.5	33.1
10 Capital transfers	1 069	1 286	1 390	1 688	-3.7	20.3	8.1	21.4
11 Financing needs : overall surplus = (—)	-196	630	966	1 304	..	..	..	..

<sup>1</sup> Excluding central autonomous institutions.

Sources : ISTAT (National Accounts) and Relazione Generale 1970.



**Table G Public Sector Accounts**  
National accounts concepts—Cash basis  
(b) *Local Authorities*

	Billion lire				% increases			
	1967	1968	1969	1970	1967	1968	1969	1970
1 Tax revenue	984	1 079	1 142	1 304	8.6	9.7	5.9	14.1
2 Other current receipts	1 082	1 298	1 339	1 618	14.7	20.0	3.2	20.8
3 Total current receipts	2 066	2 377	2 481	2 922	11.7	15.1	4.4	17.8
4 Current expenditure on goods and services	1 550	1 673	1 824	2 051	11.0	7.9	9.0	12.5
5 Current subsidies and transfers	703	933	976	1 156	-6.1	32.7	4.6	18.4
6 Total current expenditure	2 253	2 606	2 800	3 207	5.0	15.7	7.4	14.5
7 Net current saving	-187	-229	-319	-285	..	..	..	..
8 Depreciation allowances and capital account receipts	164	285	302	280	..	..	..	..
9 Gross investment	519	528	581	597	-0.8	1.7	10.0	2.8
10 Capital transfers	76	78	92	111	..	..	..	..
11 Financing needs	618	550	690	713	..	..	..	..

Sources : ISTAT (National Accounts) and Relazione Generale 1970.

Table G Public Sector Accounts  
National accounts concepts—Cash basis  
(c) Social Security  
Billion lire

	1963	1964	1965	1966	1967	1968	1969	1970
1 Social contributions	3 208	3 676	3 694	3 888	4 594	5 297	5 577	6 414
2 Total transfers	361	342	866	936	583	915	1 365	1 281
of which :								
— Transfers from enterprises	24	25	43	36	37	50	53	65
— Transfers from other public authorities	337	317	823	900	546	865	1 312	1 217
3 Other receipts	111	144	168	176	182	202	220	234
4 Total current receipts	3 680	4 162	4 728	5 000	5 359	6 414	7 162	7 929
5 Current expenditure on goods and services	225	286	305	328	386	417	452	521
6 Current subsidies and transfers	2 933	3 239	4 175	4 621	5 117	5 788	6 442	7 285
of which :								
Transfers to households	2 913	3 217	4 142	4 577	5 083	5 727	6 379	7 228
7 Total current expenditure	3 188	3 525	4 480	4 949	5 503	6 205	6 894	7 806
8 Net current saving	492	637	248	51	-144	209	268	123
9 Depreciation allowances	7	8	8	9	9	9	11	12
10 Gross investment and capital transfers	91	90	80	119	120	150	149	148
11 Financing needs : overall surplus = (—)	-408	-555	-176	59	255	-68	-130	13

Sources : ISTAT (National Accounts) and Relazione Generale 1970.

Table G Public Sector Accounts  
Central Government—(budget definitions)  
(d) *The evolution of budgetary appropriations and unspent commitments, 1965-1970*

	1965	1966	1967	1968	1969	1970
	<i>Billion lire</i>					
<b>APPROPRIATIONS<sup>1</sup></b>						
Revenue	7 005	7 900	8 562	9 644	10 377	11 139
Outlays	8 217	9 053	9 914	11 716	13 267	13 818
Balance	-1 212	-1 153	-1 352	-2 072	-2 890	-2 679
<b>CASH ESTIMATES</b>						
Revenue	6 670	7 944	8 477	9 489	10 529	10 563
Outlays	7 789	8 665	8 961	10 686	12 050	12 617
Balance	-1 119	-721	-484	-1 197	-1 521	-2 054
<b>UNSPENT COMMITMENTS (cumulative figures)</b>						
Current	1 785	1 890	2 116	2 419	2 956	3 640
Capital	1 968	2 128	2 732	3 383	3 971	4 396
Total	3 753	4 018	4 848	5 802	6 927	8 036
Total as a % of total expenditure appropriations	46	44	49	50	52	58

1 Initial budgetary estimates plus modifications in the course of the year.

Source : "White paper on public expenditure".

**Table H Money and Banking**  
**(a) The Monetary Base 1960-1970**  
*Changes in billion lire*

	1962	1963	1964	1965	1966	1967	1968	1969	1970
<b>A Origin of liquid assets:</b>									
1 Net impact of the foreign sector	608	-718	294	627	236	243	123	-648	319
2 Net impact of the public sector	575	981	832	918	495	404	922	1 500	2 982
3 Banks	268	476	-161	-169	565	627	220	476	-1 015
4 Other sectors	-9	-9	-7	-67	-82	-58	-24	-83	-141
5 Total net impact	1 442	730	958	1 309	1 214	1 216	1 241	1 245	2 145
<b>B Use of liquid assets:</b>									
6 Liquidity in the hands of the public	687	753	567	775	805	1 018	577	1 153	976
7 Compulsory bank reserves	392	308	126	463	314	249	403	415	782
8 Bank liquidity	362	-331	265	70	94	-51	261	-323	387
9 Total	1 442	730	958	1 309	1 214	1 216	1 241	1 245	2 145
10 Total including reserves in long term securities	1 430	855	1 086	1 440	1 517	1 703	1 702	1 642	2 390

Source : Bank of Italy.

Table H Money and Banking

(b) Selected indicators

Billion lire, end of period

	1966	1967	1968	1969	1970				1971
					I	II	III	IV	I
<b>I MONEY</b>									
1 Currency in circulation <sup>1</sup>	4 567	5 053	5 260	5 955	5 645	5 856	5 807	6 472	5 983
2 Sight deposits	11 186	13 066	15 060	17 617	18 287	19 477	20 716	23 697	23 832
3 Saving deposits	12 492	14 059	15 733	16 841	16 535	16 116	15 869	16 322	16 080
4 Post office saving and checking deposits	4 446	4 902	5 249	5 624	5 669	5 707	5 528	5 853	5 991
5 Money supply broadly defined	32 691	37 080	41 302	46 037	46 136	47 156	47 920	52 344	51 886
<b>II CENTRAL BANK</b>									
1 Credit to Treasury	2 661	2 520	3 020	4 206	5 170	5 044	5 786	6 702	7 102
2 Credit to banking sector	1 015	1 709	1 901	2 478	1 826	2 473	1 337	1 020	654
<b>III OTHER BANKS</b>									
1 Total deposits	23 678	27 124	30 793	34 458	34 823	35 593	36 585	40 019	39 312
2 Credit	16 076	18 604	20 016	23 720	23 394	24 430	24 762	27 048	26 420
3 Government securities	3 143	3 271	3 818	3 780	3 663	3 838	3 691	3 678	3 767
4 Shares and debentures	4 472	5 340	6 403	7 490	7 676	7 898	7 979	8 338	8 806
<b>IV SPECIAL INSTITUTIONS FOR MEDIUM- AND LONG-TERM CREDIT</b>									
Credit to the economy	9 135	10 606	12 445	14 111	14 646	14 939	15 368	15 882	16 572

<sup>1</sup> In the hands of the non-bank public.

Source : Bank of Italy.



Table H Money and Banking  
(c) Annual capital market net issues  
Billion lire

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<b>A By issuer and type of security</b>										
1 Government bonds	150	69	-71	232	664	1 555	1 002	1 297	1 550	1 090
in % of total bonds issues	(21.1)	(6.3)	(-6.5)	(16.0)	(33.7)	(55.0)	(41.5)	(41.9)	(46.4)	(41.9)
2 Special credit Institutions	513	725	775	721	646	861	987	1 189	1 284	1 484
3 ENEL, ENI, IRI <sup>1</sup>	115	59	275	469	557	314	246	403	460	94
4 Business companies	126	206	94	33	90	3	156	113	33	-60
5 Foreign bonds <sup>2</sup>	15	30	15	—	14	72	15	44	13	-2
6 Total bonds <sup>3</sup>	931	1 088	1 087	1 454	1 971	2 805	2 414	3 092	3 343	2 601
7 Shares	514	715	398	581	406	470	395	473	681	1 011
8 Total capital market issues	1 445	1 803	1 485	2 035	2 377	2 296	2 809	3 565	4 024	3 612
<b>B By subscriber and type of security</b>										
1 Non banks										
bonds	575	291	341	275	753	1 256	1 209	1 204	1 025 <sup>4</sup>	744 <sup>4</sup>
(in % of total bonds)	(61.8)	(26.7)	(31.4)	(18.9)	(38.2)	(44.4)	(50.1)	(38.9)	(30.7)	(28.6)
shares	495	693	390	585	373	449	353	463	670 <sup>4</sup>	1 006 <sup>4</sup>
2 Banks and other financial Institutions										
bonds	321	749	758	995	1 182	1 369	1 049	1 669	1 098	768
(in % of total bonds)	(34.5)	(68.9)	(69.7)	(68.4)	(60.0)	(48.4)	(43.5)	(54.0)	(32.9)	(29.5)
shares	16	21	-2	-8	34	15	37	8	9	5
3 Bank of Italy										
bonds	35	48	-12	184	36	201	156	219	1 215	1 089
(in % of total bonds)	(3.7)	(4.4)	(-1.1)	(12.7)	(1.8)	(7.2)	(6.4)	(7.1)	(36.4)	(41.9)
shares	3	1	10	4	-1	6	5	2	2	1

1 Including ENEL from only 1963.

2 International Institutions issues.

3 Total including Local Authority bonds but excluding special certificates and other foreign items.

4 Including special Institutions not available separately.

Source : Bank of Italy.

Table I Balance of Payments  
Million dollars

	1964	1965	1966	1967	1968	1969	1970
<b>A CURRENT ITEMS :</b>							
1 Imports, fob	6 508	6 458	7 595	8 626	9 050	11 100	13 447
2 Exports, fob	5 863	7 104	7 929	8 605	10 098	11 642	13 107
3 Trade balance	-645	646	334	-21	1 048	542	-340
4 Foreign travel credit	1 036	1 288	1 460	1 424	1 476	1 632	1 639
5 Foreign travel debit	209	226	261	298	363	493	727
6 Foreign travel balance	827	1 062	1 199	1 126	1 113	1 139	912
7 Workers' earnings	343	421	473	412	449	519	513
8 Freight on international shipments	-262	-343	-350	-399	-366	-399	-462
9 Other services	46	81	71	118	43	159	-2
10 BALANCE ON GOODS AND SERVICES	309	1 867	1 727	1 236	2 287	1 960	621
11 Private transfers	345	408	438	427	488	508	500
12 Public transfers	-34	-66	-48	-64	-148	-96	-308
13 CURRENT BALANCE	620	2 209	2 117	1 599	2 627	2 372	813
<b>B CAPITAL MOVEMENTS NON-MONETARY SECTORS :</b>							
1 Direct investment credit	618	387	460	434	529	661	902
2 Direct investment debit	220	278	242	407	458	526	406
3 Direct investment balance	398	109	218	27	71	135	-496
4 Trade credits	-248	-371	-434	26	-340	-662	-655
5 Others	522	55	-418	-173	-230	-808	167
6 Total private	672	-208	-634	-120	-499	-1 335	8
7 Public	15	67	-84	-102	-64	-33	719
8 Repatriation of Italian banknotes	-577	-314	-559	-801	-1 127	-2 256	-951
9 Total	110	-455	-1 277	-1 023	-1 691	-3 624	-224
<b>C ERRORS AND OMISSIONS</b>	44	-160	-145	-252	-309	-107	-234
<b>D MONETARY MOVEMENTS<sup>1</sup> :</b>							
1 Total official settlements	-332	-960	-288	-519	61	704	-375
(a) Gold and convertible currencies	-497	-189	165	-118	-62	27	-1 096
(b) Special Drawing Rights	—	—	—	—	—	—	-77
(c) IMF position	84	-338	-85	38	-53	32	587
(d) Other net reserves	51	-281	-195 <sup>2</sup>	-479	475	122	11
(e) Medium and long-term position	30	-152	-173	40	-299	523	200
2 Commercial banks	-442	-634	-408	195	-688	687	19
3 Total	-774	-1 594	-696	-324	-627	1 391	-356

1 Increase in assets = (—).

2 Including special loan of \$ 250 million to the IMF.

Source : Bank of Italy.

Table J Foreign Trade and Reserves  
Million dollars

	1966	1967	1968	1969	1970	1969	1970				1971
						IV	I	II	III	IV	I
FOREIGN TRADE (customs basis), monthly rate											
1 Imports, total	714	819	854	1 038	1 245	1 118	1 148	1 277	1 246	1 310	1 331
non-food	547	637	673	831	1 009	881	921	1 040	1 015	1 060	
non-food, excluding crude oil	641	526	554	701	860	746	792	901	865	883	
2 Exports, total	669	725	849	977	1 099	948	994	1 131	1 115	1 156	1 152
non-food	596	648	774	891	1 006	847	918	1 040	1 010	1 049	
3 Trade balance	45	83	-5	-61	-146	-170	-154	-146	-131	-154	-179
<i>Seasonally adjusted</i>											
1 Imports	—	—	—	—	—	1 095	1 139	1 251	1 306	1 283	1 306
2 Exports	—	—	—	—	—	924	1 028	1 103	1 142	1 125	1 173
3 Trade balance	—	—	—	—	—	-170	-112	-148	-164	-158	-133
4 Imports: non-food	—	—	—	—	—	870	906	1 024	1 063	1 046	1 002
5 Exports: non-food	—	—	—	—	—	844	932	1 006	1 038	1 046	1 055
FOREIGN RESERVES, end of period											
1 Official reserves :											
Gold	2 414	2 400	2 923	2 956	2 887	2 956	2 978	2 982	2 982	2 887	2 884
Convertible currencies	1 288	1 419	958	899	2 064	899	949	838	1 273	2 064	2 640
IMF position <sup>1</sup>	885	842	894	863	276	863	885	746	157	276	291
Special Drawing Rights	—	—	—	—	77	—	121	76	76	77	216
Other	91	575	103	-21	-33	-21	-986	-409	-77	-33	-34
Total <sup>2</sup>	4 678	5 236	4 878	4 697	5 271	4 697	3 947	4 233	4 411	5 271	5 997
2 Commercial banks:											
Net foreign position	230	35	723	36	17	36	167	124	293	17	-238

1 The IMF position includes credits granted on multilateral basis (GAB) previously recorded under "other" items.

2 Excluding medium and long-term assets of the monetary authorities.

Sources : OECD Main Economic Indicators, ISTAT and Bank of Italy.

Table K Commodity Breakdown of Foreign Trade  
Billion lire

	1965	1966	1967	1968	1969	1970
(i) IMPORTS						
1 Food, drink and tobacco	1 087	1 216	1 305	1 285	1 486	1 695
2 Crude oil	581	654	830	894	972	1 115
3 Metals, ores and scrap	598	738	846	824	1 074	1 470
4 Textile materials and products	385	492	489	477	595	664
5 Wood and products	193	211	230	240	291	319
6 Automobiles and spares	115	143	172	214	306	455
7 Other engineering products	667	752	967	1 082	1 353	1 658
8 Chemical products	377	452	528	605	739	883
9 Paper and cardboard	115	124	137	144	179	212
10 Other imports	474	586	638	662	797	866
11 TOTAL IMPORTS	4 592	5 368	6 142	6 428	7 792	9 337
(ii) EXPORTS						
1 Food, drink and tobacco	552	559	580	552	653	714
2 Metals, ores and scrap	318	294	289	390	421	452
3 Textile materials and products	592	645	629	793	929	956
4 Clothing and shoes	265	319	354	443	567	638
5 Automobiles and spares	301	373	427	553	634	758
6 Other means of transport	193	183	168	220	265	242
7 Other engineering products	1 073	1 308	1 532	1 720	1 994	2 415
8 Chemical products	643	719	775	885	902	1 007
9 Other exports	555	624	687	809	965	1 074
10 TOTAL EXPORTS	4 492	5 024	5 441	6 365	7 330	8 256

Source : ISTAT.

Table L Comparison of the Competitive Position of Italy and Selected Countries

	Indices, 1961=100										Annual rates	
	1962	1963	1964	1965	1966	1967	1968	1969	1970		1965/1961	1970/1965
(a) WHOLESALE PRICES OF INDUSTRIAL GOODS												
1 Italy <sup>1</sup>	101.5	106.4	111.0	111.9	113.5	113.5	113.5	117.3	126.6		2.8	2.5
2 France <sup>2</sup>	101.1	103.8	107.6	108.4	111.4	110.4	108.6	120.2	129.2		2.0	3.6
3 Germany <sup>3</sup>	104.0	105.0	106.9	110.2	112.9	112.6	106.5	111.1	121.7		2.5	2.0
4 United Kingdom <sup>4</sup>	101.2	101.9	103.9	106.6	109.4	110.3	114.6	118.1	126.9		1.6	3.5
5 United States <sup>4</sup>	100.3	100.0	100.4	102.2	105.4	106.7	109.8	113.7	117.8		0.5	2.9
6 Japan <sup>5</sup>	99.6	98.6	97.7	97.5	98.1	98.8	99.6	100.1	101.8		-0.6	0.9
7 Weighted average, 2 through 5	100.8	100.9	101.8	103.5	106.5	107.2	108.8	112.9	118.0		0.9	2.7
(b) EXPORT AVERAGE UNIT VALUES (in US \$)												
8 Italy	102	103	105	100	98	99	97	101	108		0.0	1.6
9 France	101	102	105	107	110	109	108	111	115		1.7	1.5
10 Germany	100	100	100	102	103	102	101	102	114		0.5	2.2
11 United Kingdom	102	104	106	109	114	115	109	112	119		2.2	1.8
12 United States	99	99	100	103	107	108	110	114	121		0.7	3.3
13 Japan <sup>5</sup>	97	99	100	100	100	100	101	104	109		0.0	1.7
14 Weighted average, 9 through 13	100	101	102	104	106	107	106	109	116		1.0	2.2

1 Non-agricultural products.

2 Industrial goods.

3 Investment goods.

4 Manufactured goods.

5 Export prices.

Sources : ISTAT, Main Economic Indicators, and Survey of Current Business.



## Basic Statistics : International Comparisons

			Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxem- bourg	Nether- lands	Norway	Portugal	Spain	Sweden	Switzer- land	Turkey	United Kingdom	United States	Yugo- slavia <sup>4</sup>
POPULATION	End of 1969	Thousands	7 384	9 660	21 260	4 906	4 707 <sup>1</sup>	50 526	61 195	8 842	204.0	2 927	54 302	102 930	338.5	12 958	3 867	9 514 <sup>3</sup>	33 250	8 014	6 184	34 828	55 643 <sup>3</sup>	204 351	20 462
Net average annual increase	1959-1969	%	0.49	0.57	1.84	0.72	0.65	1.60	1.05	0.65	1.60	0.30	0.82	1.04	0.79	1.27	0.81	0.85 <sup>5</sup>	0.97	0.71	1.53	2.53	0.65 <sup>6</sup>	1.31	1.12
EMPLOYMENT	1969	Thousands	3 017	3 683	7 780	2 294	2 116	19 967	26 337	(3 662)	78 <sup>8</sup>	1 061	18 678	50 400	140	4 510	1 474	3 109	12 243	3 821	(2 740)	(13 519)	24 904	77 902	3 706
Total civilian			19.1	5.2	8.2	11.9	24.5	15.1	9.6	(48.2)	18.8 <sup>8</sup>	28.4	21.5	18.8	11.6	7.5	14.7	31.5	30.7	8.8	(7.3)	(72.1)	2.9	4.6	6.7
Agriculture		% of total	39.9	44.8	32.3	38.5	34.6	40.6	49.1	(22.5)	37.3 <sup>8</sup>	29.7	43.1	35.0	45.7	41.3	36.8	35.5	37.1	40.4	(51.9)	(11.6)	46.8	(33.7)	46.8
Industry <sup>7</sup>			41.0	50.0	59.5	49.6	40.9	44.3	41.3	(29.3)	43.9 <sup>8</sup>	41.9	35.4	46.2	42.7	51.2	48.5	33.0	32.2	50.8	(40.8)	(16.3)	50.3	(61.7)	46.5
Other																									
PRODUCTION	1969	\$ <sup>8</sup>	1 690	2 360	3 460	2 860	1 940	2 770	2 520	950	1 890	1 200	1 520	1 630	2 130 <sup>9</sup>	2 190	2 530	600	870	3 570	3 020	380	1 970	4 660	518 <sup>9</sup>
GNP per head			7.0	5.3	5.9 <sup>9</sup>	8.9	14.7	6.0 <sup>11</sup>	3.0 <sup>11</sup>	20.3	..	19.7 <sup>9</sup>	11.3	8.7 <sup>12</sup>	6.2 <sup>9</sup>	7.0	6.5	17.7	15.0	5.9 <sup>9</sup> 11	6.4 <sup>10</sup>	32.2 <sup>12</sup>	3.0 <sup>14</sup>	2.9 <sup>11</sup>	19.5 <sup>9</sup>
GDP by sector: Agriculture		% of total	46.8	41.6	38.5 <sup>9</sup>	40.1	41.3	48.1 <sup>11</sup>	53.9 <sup>11</sup>	28.2	..	34.0 <sup>9</sup>	38.9	39.1 <sup>12</sup> 13	50.9 <sup>9</sup>	41.6	38.6	42.8	35.3	45.2 <sup>9</sup> 11	49.6 <sup>10</sup>	27.4 <sup>12</sup>	45.8 <sup>14</sup>	35.8 <sup>11</sup>	42.5 <sup>9</sup>
Industry			46.2	53.2	55.6 <sup>9</sup>	51.0	44.0	45.9 <sup>11</sup>	42.5 <sup>11</sup>	51.5	..	46.3 <sup>9</sup>	49.8	52.2 <sup>12</sup> 13	42.9 <sup>9</sup>	51.4	54.9	39.7	49.6	48.9 <sup>9</sup> 11	44.0 <sup>10</sup>	40.5 <sup>12</sup>	51.3 <sup>14</sup>	61.3 <sup>11</sup>	38.0 <sup>9</sup>
Other			6.4	6.5	5.0	7.7	9.3	7.9	7.9	7.8	0	2.7	5.9	12.5	7.8	5.1	4.7	4.4	7.7	5.8	5.4	6.2	1.3	2.8	..
GNP <sup>15</sup> annual volume growth	1964-1969	%	4.2	4.1	5.2	4.3	4.3	5.5	4.6	7.0	1.7	4.0	5.5	10.8	3.2	5.1	4.8	6.3	6.6	3.8	3.6	6.8	2.2	4.6	..
INDICATORS OF LIVING STANDARDS	1969																								
Private consumption per head		\$	970	1 470	2 050	1 770	1 060	1 680	1 390	640	1 190	720 <sup>9</sup>	960	840	1 300 <sup>9</sup>	1 220	1 410	430	600	1 790 <sup>9</sup>	1 740	..	1 230	2 850	275 <sup>9</sup>
Expenditure on education		% of GNP <sup>9</sup>	4.40	5.57	5.65 <sup>17</sup>	6.00 <sup>9</sup>	6.30 <sup>18</sup>	4.81	3.00 <sup>19</sup>	2.40 <sup>9</sup>	4.80	4.23	5.44	4.54 <sup>17</sup>	5.00 <sup>18</sup>	6.71	5.81	1.44 <sup>17</sup>	2.14 <sup>9</sup>	7.80 <sup>9</sup>	6.30	3.70	4.15 <sup>17</sup>	5.10	4.59
Dwellings completed, per 1 000 inhabitants			6.6	5.0 <sup>21</sup>	8.2	9.0	7.9	8.2	8.6	10.1	9.0 <sup>9</sup>	4.0	5.8 <sup>9</sup>	11.9	..	9.7	8.8	4.3	6.4	13.4	8.6	3.3	7.7	7.7	6.4
Passenger cars <sup>22</sup> , per 1 000 inhabitants		Number	144	187	298	209	124	240	199	18	185	123	151	52	235	165	166	37	50	253	206	4	196	410	28
Television sets <sup>23</sup> , per 1 000 inhabitants			134	186	279	244	193	185	231	9	160 <sup>24</sup>	111 <sup>15</sup>	146	190	131	197	175	29	84	288	143	0	263	392	64
Telephones <sup>25</sup> , per 1 000 inhabitants			159	181	408	292	204	141	172	76	330 <sup>25</sup>	87 <sup>9</sup>	135	204	281	216	284	65	105	478	417	12	218	523	31
Doctors <sup>26</sup> , per 1 000 inhabitants			1.58	1.51	1.20 <sup>24</sup>	1.35 <sup>24</sup>	0.88	1.18	1.48	1.47	..	1.03 <sup>19</sup>	1.71	1.09 <sup>24</sup>	1.01	1.14	1.24	0.81 <sup>24</sup>	1.30	1.13	1.29	0.36	1.15	1.58	1.10
GROSS FIXED INVESTMENT <sup>28</sup> Total	1964-69 average	% of GNP	24.8	21.5	23.6 <sup>28</sup>	22.7	25.0	25.1	25.6	25.4	29.7	20.6	19.7	35.2	26.9	26.8	29.2	19.0	24.5	23.9	27.6	16.8	18.4	16.7 <sup>28</sup>	..
Machinery and equipment			12.5	8.8	9.4	11.3	8.9	10.9	11.1	9.8	8.6	9.0	7.5	28.8 <sup>29</sup>	8.8	12.5	15.2	6.9	12.5	8.1	9.3	..	8.9	6.9 <sup>29</sup>	..
Residential construction			4.4	5.6	3.8	4.4	5.5	6.6	5.8	6.3	6.3	4.0	6.5	6.4	18.1 <sup>30</sup>	5.2	4.5	4.3	4.6	6.1	7.1	3.5	3.6	3.6	..
Other construction			8.0	7.1	10.4	7.0	10.6	7.6	8.7 <sup>31</sup>	9.4	14.8	7.6	5.8	.. <sup>32</sup>	.. <sup>30</sup>	9.2	9.6	7.8	7.6	9.7	11.2	..	5.8	6.1	..
GROSS SAVING	1964-68 average	% of GNP	26.6	22.8	23.9	20.0	27.1	25.7	26.2	20.4	..	18.1 <sup>37</sup>	23.0	36.7	28.0 <sup>37</sup>	27.1	28.5	..	22.9	23.9	28.0	..	18.2	18.5	..
PUBLIC SECTOR <sup>32</sup> Total current revenue	1969	% of GNP	37.5 <sup>3</sup>	34.2	35.2 <sup>3</sup>	37.1	35.9	38.1	37.9	26.9	33.9 <sup>3</sup>	30.7 <sup>3</sup>	33.3	21.2	36.0 <sup>3</sup>	41.9	43.4	..	22.4	48.1 <sup>33</sup>	28.1	..	39.0	31.5	32.6 <sup>3</sup>
WAGES/PRICES	Annual increase 1964-69	%	8.1 <sup>38</sup>	7.9	6.6 <sup>38</sup>	11.2 <sup>37</sup>	9.1	8.2 <sup>38</sup>	6.5	10.8	11.7 <sup>39</sup>	8.6 <sup>38</sup>	5.7 <sup>40</sup>	12.9 <sup>41</sup>	..	8.8 <sup>42</sup>	8.3 <sup>43</sup>	8.4 <sup>43</sup>	13.7 <sup>44</sup>	8.6 <sup>45</sup>	5.0 <sup>46</sup>	..	6.0 <sup>47</sup>	4.8 <sup>48</sup>	..
Hourly earnings <sup>44</sup>			3.4	3.5	3.7	6.5	5.3	3.8	2.6	2.5	11.5	4.6	2.8	5.2	2.8	5.0	3.7	5.8	6.5	4.0	3.4	7.4	4.3	3.4	14.9
Consumer prices			3.6	3.8	3.9	6.4	5.9	3.9	2.6	2.7	12.0	4.6	2.9	4.5	2.4	5.1	3.9	4.3	6.1	4.3	3.9	4.4	4.3	3.3	..
GNP deflator																									
FOREIGN TRADE	Imports <sup>49</sup>	\$ million <sup>9</sup>	3 146	8 392	15 757	3 791	1 941	16 032	29 331	1 654	139	1 302	12 285	14 128	546 <sup>9</sup>	11 472	3 798	1 418	4 031	6 078	5 357	..	23 535	48 078	1 991 <sup>9</sup>
		% of GNP	27.7	40.5	25.3	30.6	24.2	14.2	20.3	21.9	45.0	43.6	16.4	10.0	77.2 <sup>9</sup>	45.5	42.1	28.3	15.6	23.8	31.1	..	22.9	5.5	21.0 <sup>9</sup>
Exports <sup>49</sup>		\$ million <sup>9</sup>	3 004	8 420	15 441	3 578	2 006	16 024	34 385	965	110	1 216	14 618	15 353	559 <sup>9</sup>	11 586	3 958	1 267	3 360	5 920	6 161	..	23 847	50 594	1 875 <sup>9</sup>
		% of GNP	26.5	40.6	24.8	28.9	25.0	14.2	23.8	12.8	35.4	40.8	19.5	10.8	79.0 <sup>9</sup>	45.9	43.9	25.3	13.0	23.1	35.8	..	23.2	5.7	19.7 <sup>9</sup>
BALANCE OF PAYMENTS	Current balance	% of GNP	-0.5	1.1 <sup>51</sup>	-1.1	-2.2	-1.2	-0.2	0.7	-3.6	-3.8	-3.0	2.8	0.7	..	-0.2	-0.5	1.9	-1.5	-0.5	1.0	-0.9	-0.3	0.3	..
Official reserves, end-1970: per cent of a year's imports <sup>50</sup>		%	49.5	25.1 <sup>51</sup>	35.2	11.1	18.2	26.0	45.6	19.9 <sup>18</sup>	34.6	44.3	35.5	25.6	..	24.2	21.8	96.2	38.2	10.9	72.7	48.5	13.0	36.3	6.4
Change	April 1970 - April 1971	\$ million	334	539 <sup>51</sup>	1 032	70	124	1 364	9 246	53	18	64	1 102	1 979	..	780	204	116 <sup>51</sup>	789	272	608	167	660	-2 612	-46
NET FLOW OF RESOURCES TO DEVELOPING COUNTRIES <sup>52</sup>		% of GNP	0.65	1.12	0.50	1.13	.. <sup>53</sup>	1.24	1.33	.. <sup>54</sup>	.. <sup>55</sup>	.. <sup>56</sup>	1.03	0.76	.. <sup>57</sup>	1.34	0.78	1.74	.. <sup>58</sup>	0.77	0.64	.. <sup>59</sup>	0.97	0.49	.. <sup>60</sup>
EXPORT PERFORMANCE <sup>55</sup>	1968 to 1969	%	18.4	19.8	12.1	14.8	14.6	17.5	14.1	18.9	13.7	6.9	17.9	12.9	..	18.9	15.2	17.5	15.0	15.9	17.4	16.3	13.7	14.1	..
Growth or markets <sup>56</sup>	1960 to 1969 (average)		10.1	10.4	13.5	9.5	9.5	8.0	9.8	10.4	9.5	7.1	9.7	9.3	..	9.7	9.0	11.0	9.4	9.2	9.9	13.4	8.8	8.8	..
Gains or losses	1968 to 1969	%	2.9	3.6 <sup>61</sup>	-2.9	-0.3	6.7	0.7	2.9	-0.5	17.3	4.7	-2.6	10.4	..	0.5	-1.5	-5.7	4.6	0	-2.0	-8.1	-1.2	-4.5	..
of market shares <sup>57</sup>	1960 to 1969 (average)		-1.8	1.0 <sup>61</sup>	-2.5	-1.1	-2.1	0.8	0.8	1.1	-5.4	0.6	4.0	7.6	..	0.7	1.9	2.8	2.3	-0.2	0.5	-7.8	-3.3	-1.6	..

1 Does not include total net migration between Finland and the other Nordic countries.

2 Relates to 1968.

3 Relates to 30-6-1969.

4 National source.

5 Relates to 1958-1968.

6 Relates to 30-6-59 - 30-6-69.

7 According to the definition used in OECD Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).

8 At current prices and exchange rates.

9 Refers to 1967.

10 The estimates for GDP by sector for Switzerland have been published in "la Vie économique", November 1969.

11 GDP at market prices.

12 Net domestic product.

13 Electricity, gas and water works included in "other activities".

14 Including stock appreciation.

15 At constant (1963) prices.

16 Relates to 1962-1967.

17 Relates to 1965.

18 1969.

19 Relates to 1966.

20 Relates to 1964.

21 Including Luxembourg.

22 Relates to 1-1-1969.

23 Relates to 1-1-1968.

24 Relates to 1-1-1967.

25 At constant (1963) prices.

26 Excluding transfer costs of land and existing assets.

27 Relates to 1963-1967.

28 Government and government enterprise expenditure on machinery and equipment is included in government current expenditure.

29 "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.

30 "Other construction" included in "residential construction".

31 Including transfer costs of land.

32 General government.

33 Including depreciation.

34 Industry.

35 Monthly.

36 Manufacturing.

37 Including bonuses.

38 Hourly rates in manufacturing.

39 Hourly wages rates, unskilled workers.

40 Hourly rates in manufacturing, excluding family allowances.

41 Monthly earnings in manufacturing. Cash payments including bonuses, regular workers.

4

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