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OECD
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

PORTUGAL

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

JULY 1970

BASIC STATISTICS OF PORTUGAL

THE LAND

Area (thousands sq.km.)	91.5	Major cities, resident population in thousands (1969):	
Agricultural area (thousands sq.km.)	49.0	Lisbon	831
Arable land (thousands sq.km.)	43.7	Porto	325

THE PEOPLE

Population (1968, thousands)	9 497	Total labour force (thousands)	3 287
Number of inhabitants per sq.km. (1968)	103	Civilian employment in thousands (1968)	3 087
Net natural increase (average 1963-68, thousands)	84.6	of which: agriculture	996
Annual rate of increase (average 1963-1968)	0.90	industry	835
Net emigration (average 1963-1968, thousands)	26	construction	283
		other	973

PRODUCTION

Gross national product in 1968 (millions of US dollars)	5 041	Gross domestic product at factor cost by origin in 1968 (%):	
Gross national product per head in 1968 (US dollars)	531	Agriculture	19.0
Gross fixed asset formation in 1968: % of GNP	19.2	Industry and construction	42.2
per head (US dollars)	102	Services	38.8

GENERAL GOVERNMENT

Public consumption in 1968 (% of GNP)	13.3	Central Government current revenue in 1968 (% of GNP)	15.4
of which: Defence	5.5	% of total General Government current expenditures:	
Public investment in 1968: % of GNP	2.3	Central Government	77.6
% of total investment	11.9	Local authorities	3.8
		Social Security	18.6

STANDARDS OF LIVING

Calories per head, per day	2 780	Number per 1 000 inh.:	
Annual No. of dwellings completed per 1 000 inh. (1967)	5.7	TV sets	29
Electricity final consumption (kWh per head, per year)	590	Telephones	65
		Private cars	30

FOREIGN TRADE

Exports of goods and services as a % of GNP (1968)	25.3	Imports of goods and services as a % of GNP (1968)	28.3
Main exports as a % of total exports (average 1965-1969, SITC):		Main imports as a % of total imports (average 1965-1969, SITC):	
Food, beverage and tobacco (0, 1)	22.6	Food, beverage and tobacco	12.8
Basic and semi-finished materials (2, 3, 4)	13.7	Basic and semi-finished materials	24.5
Manufactured goods (5, 6, 7, 8)	62.4	Manufactured goods	62.6
of which: Textiles (65)	19.6	of which: Chemicals (5)	9.4
Cork and wood products (631, 632, 633)	6.7	Machinery and transport equipment (7)	29.3

THE CURRENCY

Monetary unit: Escudo.

Currency units per US dollar: 28.75

OECD ECONOMIC SURVEYS

PORTUGAL

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development was set up under a Convention signed in Paris on 14th December 1960 by the Member countries of the Organisation for European Economic Co-operation and by Canada and the United States. This Convention 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 legal personality possessed by the Organisation for European Economic Co-operation continues in the OECD, which came into being on 30th September 1961.

The members of OECD are: 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.

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INTRODUCTION

Economic activity expanded at a relatively good rate in 1969, but there was a considerable setback in the agricultural harvest and the overall growth performance was probably not fully in line with the 7 per cent target set by the Third Development Plan. Exports were more buoyant than earlier and business fixed investment may have started to pick up in the later part of the year. However, the persistence of a large surplus on the current account of the balance of payments, at least during the greater part of the year, suggests that the expansion did not permit an adequate degree of utilization of resources to be achieved. Price increases were significant, in view of the probable absence of global excess demand.

Given the slack of fixed investment during most of last year and uncertainty as regards the outlook for exports of goods and services, it is the intention of the authorities to make special efforts to accelerate public investment and encourage private investment. Indeed, the 1970 budget, like its predecessor, lay much greater stress than was the case in the past on the role which budgetary and other current policies should play in the necessary acceleration of investment activity and economic growth.

The present Survey outlines in Part I and II respectively, domestic economic trends and developments in the balance of payments over the last couple of years. The third section deals with budget and credit policies. Part IV summarizes the projections and targets of the 1968-1973 Development Plan and discusses plan implementation in recent years. Part V considers short-term prospects and draws certain conclusions for economic policy.

I DOMESTIC DEVELOPMENTS

Official forecasts published in the autumn of 1969 had foreseen a 6.3 per cent increase in non-agricultural activity from 1968 to 1969, somewhat less than the officially estimated increase in the preceding year. But a setback in the agricultural harvest was expected to reduce the year-to-year growth of GDP to 5 per cent, from some 6 per cent

in the two preceding years. In 1968, the estimated outcome for total GDP had been closely in line with the forecasts published in the autumn of that year. It is difficult to know exactly how far last year's forecasts were realized. The statistical basis for tracing the development of output and expenditure aggregates is incomplete. Some of the main indicators are available only with considerable delays, e.g. the monthly industrial production index, and are of uncertain value. It may be significant, however, that certain of these indicators—notably imports—have strengthened since the forecasts for 1969 were prepared. This seems to point to a faster advance than foreseen in the non-agricultural sector. But the overall growth performance of the economy probably continued to fall short of the 7 per cent Third Plan target by a non-negligible margin, given the significant decline experienced in the agricultural harvest.

Demand

The growth of gross fixed investment—already weak in 1968—would have come to a virtual standstill in 1969, according to the official forecasts, with a big absolute drop in industrial investment. But the forecasts are based on rather incomplete and not fully representative surveys which seem to understate fixed investment. Thus, in recent years, results have typically been substantially better than foreseen in the projections published in the autumn of the same year. It is possible that last year's forecasts as well were somewhat on the low side and that there was no further weakness of the trend.

Evidence of a more active government policy towards investment would be expected to have entailed some improvement of the investment climate. Thus, certain steps were taken in the field of money and credit to facilitate a recovery of business fixed investment. And government capital spending was stepped up after a decline by nearly one-tenth in the 1964-67 period. The relatively rapid growth of industrial exports in the past two years should also have influenced favourably the investment climate. But a certain lack of dynamism in domestic economic growth continued to affect business expectations adversely. And developments abroad—social and political events in certain Member countries, the unsettled state of international money markets, parity changes and balance of payments restrictions introduced in some foreign countries—apparently worked in the same direction. Finally, uncertainty regarding the membership of additional countries in the EEC would seem to have affected industrial investment.

There is little to go by in judging the net effect of these influences on fixed investment activity in the past year. Net imports of machi-

Table 1 Output and Expenditure
Percentage change in volume

	1968 Escudos billion	1965	1966	1967	1968	1969 Forecasts
Private consumption	103.2	6.1	3.2	1.4	6.2	
Government consumption	19.2	7.4	6.6	13.6	6.0	7.0
Civilian	8.4	6.9	6.5	8.0	4.9	8.1
Military	10.8	7.8	6.7	18.3	6.7	7.4
Gross fixed investment	27.7	10.5	17.4	5.8	3.0	0.7
Final domestic demand	148.4	7.0	6.1	3.8	5.5	
Change in stockbuilding ¹	—	0.5	-3.2	1.3	0.9	
Change in foreign balance ¹	-5.0	-0.6	0.2	1.5	-0.9	
Exports excluding factor income	34.4	13.0	4.7	6.5	-5.2	
Imports excluding factor income	39.3	13.3	3.5	0.7	-1.7	
GDP at market prices	143.4	7.1	3.2	6.7	5.8	
GDP at factor cost	130.4	7.0	3.3	6.0	5.9	5.0
Agriculture, forestry, fishing	24.8	6.3	-9.7	10.6	2.0	-1.1
Other	105.7	7.2	6.5	5.0	6.7	6.3

1 The figures in the first column show the absolute level of stockbuilding and the foreign balance; other columns show changes in stockbuilding and in the foreign balance expressed as a percentage of GDP in the previous period.

Source: Portuguese submission to the OECD.

nery and equipment should in principle be a good indicator of machinery and equipment investment, given the small size of the domestic capital goods industry. But in the past there have been large discrepancies between the movement of such imports and machinery and equipment investment as officially estimated. In 1969, net imports of machinery and transport equipment increased by only 5.7 per cent compared with almost 15½ per cent in the previous year. The second main partial indicator of fixed investment—credit expansion—was, however, rather buoyant. Indeed, credit extended to the private sector by the Central Bank and commercial banks increased strongly in 1969. All in all therefore, it is uncertain whether the trend of fixed investment strengthened much during the past year.

Private consumption is derived as a residual in the Portuguese national accounts and the estimates given in Table 1 are, therefore, of uncertain value. The recovery of consumer spending estimated for 1968, was aided by a sharp improvement of the previous year's agricultural harvest. No similar boost to farm incomes was experienced last year. Much of the steepening of the urban wage rise could have been offset by the faster price rise. The trend of urban employment may not have strengthened significantly. Although receipts from emigrant worker remittances, an important source of consumer incomes, expanded fast¹ it is possible that the increase of private consumption slowed down somewhat. The growth of real public consumption is officially expected to have accelerated, owing to a stepping up of civilian spending, in particular.

Little is known about the development of stockbuilding. Inventory accumulation in agriculture, which probably influences total stockbuilding in the economy quite importantly, should have been smaller than earlier given the bad harvests in 1968 and 1969. Imports of basic and semi-finished materials have been rather strong but the significance of this for stockbuilding is uncertain, given the difficulty of ascertaining the trend of industrial production. It seems reasonable to assume that the re-stocking process has continued, but activity in this area is unlikely to have provided as big a stimulus to economic expansion as in 1968 when there was a swing from negative to positive stockbuilding, corresponding to about 1 per cent of GDP, according to the official estimates.

1 Private transfer receipts from countries outside the Escudo area—consisting almost entirely of emigrant worker remittances—have corresponded to more than 5 per cent of total national income in recent years. Balance of payments data, which appear to overstate the increase in such receipts (see page 21), suggest that the rise averaged some \$ 50 million a year, equivalent to about 1½ per cent of private consumption.

Table 2 Gross Fixed Investment
Percentage changes in volume

	1968 Escudos billion	1965	1966	1967	1968	1969 Forecasts
Total	27.7	10.5	17.4	5.8	3.0	0.7
Agriculture, forestry, fishing	2.2	-3.5	4.9	15.0	11.5	13.0
Mining and manufacturing	7.6	21.1	24.6	9.2	2.0	-8.4
Other	17.9	7.7	15.3	12.8	2.4	3.1
Private enterprises	22.4	14.0	18.1	10.7	-0.1	-2.4
Public enterprises	2.0	13.1	36.1	-27.9	29.1	19.0
General government	3.3	-7.4	3.2	3.1	12.5	10.6
Dwellings	6.4	10.4	23.8	18.1	1.6	3.9
Other building and construction	10.3	14.7	23.8	-25.0	8.1	4.3
Machinery and equipment	11.0	35.7	-3.0	49.3	1.2	-10.2
Net imports of machinery and equipment (SITC 7), current prices	10.1	32.1	24.2	-2.7	16.3	5.7

Sources: Portuguese submission to the OECD; OECD, Foreign Trade Statistics, Series B.

According to revised foreign trade figures, non-food imports (excluding diamonds) rose less fast in 1969 than in 1968. It should be noted however, that these imports do not always develop in line with the pace of economic activity. The growth of GDP could therefore have been stronger than forecast. Indeed, final demand probably rose at more-or-less the pace of 1968, with little change in the year to year growth rate of gross fixed investment, some slowdown of the rise of private consumption and an acceleration of the growth of public consumption. The earlier tendency for the real foreign balance to weaken was probably reversed, offsetting much of the decline in the expansionary impact of stockbuilding activity.

Output

Last year's harvest was relatively poor. According to provisional estimates, the results for the main grain crops and wine production were substantially lower than in 1968, but with a partial recovery from the previous setback in the olive crop. The output of animal produce continued to increase; provisional data suggest a quite steep rise of meat production. This checked the impact of the harvest on total

Table 3 Agricultural Production
Percentage change from previous year

	1965	1966	1967	1968	1969 (p)
Index of agricultural output	2	-24	32	—	-19
Grains	5	-21	36	9	-20
Wheat	30	-49	204	17	-48
Rye, barley, oats	35	-32	40	18	-28
Maize	-23	23	2	-5	—
Rice	-23	11	-5	2	18
Potatoes	-22	4	40	-16	—
Wine	8	-39	9	20	-35
Olive oil	75	-47	112	-34	13
Meat	20	11	-17	24	23
Cattle	35	6	-18	16	36
Sheep and goats	2	5	1	17	-1
Pigs	12	20	-20	37	14
Milk	6	-3	-1	3	—
Butter	-7	-23	-3	27	—
Cheese	20	-6	3	-6	—
Fish landings	-3	-11	11	-11	-10

p Provisional.

Sources: Instituto Nacional de Estatística and Portuguese submission to the OECD.

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Table 4 Indicators of Industrial Production
Percentage change from previous year

	Real GDP in industry	Industrial production index		Imports of basic and semi-finished materials ¹
		Annual (including mining and electricity)	Sum of monthly indices	
1969	5.2 ²		8.8	9.8
1968	8.5		6.0	12.4
1967	7.6	5.4	-1.6	4.0
1966	6.9	7.0	4.8	-2.1
1965	9.9	6.2	5.2	18.1

1 SITC 2-4 and 6, current prices.

2 Autumn 1969 forecasts.

Sources: Portuguese submission to the OECD; OECD, Main Economic Indicators and Foreign Trade Statistics, Series B.

agricultural output, although the decline of GDP in agriculture may well have turned out bigger than the forecast 1.1 per cent.

No annual industrial production index for 1968 and 1969 was available at the time of writing. The monthly index with incomplete coverage, shows yearly changes substantially different from both the annual index and the national accounts estimates of GDP in industry. The monthly index moved unevenly in 1969, a sharp upturn at the beginning of the year was followed by a levelling off. All the same it is probably significant that for the year 1969 the monthly index was 8.8 per cent higher than in the previous year, whereas it had risen by 6 per cent from 1967 to 1968. According to foreign trade statistics imports of basic and semi-worked materials continued to be relatively buoyant. Although these imports are influenced by factors other than industrial production, notably by stockbuilding activity, they seem to suggest some improvement of the growth performance of the industrial sector.

The trend of activity in the remaining sectors of the economy may have improved somewhat. Production statistics show a recovery of the output of main building materials in 1969, suggesting a more buoyant development of construction activity than earlier. Activity relating to tourism also improved following the slack in 1968. The number of nights spent by foreigners in Portuguese hotels and pensions, after having declined slightly in 1968 for the first time in many years, increased by approximately 14 per cent in 1969.

Employment and labour market

The statistical basis for judging the trend of employment in 1969 is incomplete, but it seems improbable that the trend departed significantly from that of earlier years. Then, economic growth had not been fully adequate to provide employment opportunities for the growing labour force. Emigration had absorbed the slack, however, and during the first half of the 'sixties the lengthening of military service had checked the growth of open unemployment. Data published by countries mainly receiving Portuguese emigrant workers, point to a strong increase of worker emigration last year, after some levelling off in 1968. Much of this concerns qualified or semi-qualified labour and shortages in such labour, already experienced in earlier years, probably increased in 1969. Open unemployment has apparently remained low, but substantial disguised unemployment exists, notably in agriculture.

Prices and wages

The available indices suggest that consumer prices rose fast in 1969. Weighted by population, the indices for the six principal towns showed an increase of 8.8 per cent during the year, with a similar rate of increase in the average level for the year as a whole, compared with a 5.7 per cent increase from 1967 to 1968. Much of the acceleration seems to have been due to a steepening of the rise of food prices, although non-food prices also developed in a less stable manner than earlier and the rent component of the indices showed particularly large increases. The steepest rise occurred in Lisbon and Porto, where the cost of living went up by 10 per cent, according to the official indexes.

The development of consumer prices in recent years contrasts strongly with the relatively stable trend shown by the available indices up to the mid-'sixties. Thus, the Lisbon cost of living index rose at an average annual rate of 6.5 per cent during 1966-69, compared with 2.7 per cent during the first half of the decade. The implied national account price deflator for private consumption also steepened significantly, although it increased at a somewhat lower rate than the cost of living indices. The reasons for these movements are not quite clear. Statistical factors probably explain some of the acceleration shown by the published indices¹. Increases in indirect taxation also

¹ Thus, for example, the sample used for calculating rents in the Lisbon cost of living index was changed late in 1967. The new sample yielded a 33 per cent increase of the rent component of the index during that year, whereas the former sample had given a virtually stable trend in 1967 and in earlier years. It should be noted, however, that the new index only covers rents of new dwellings, and is therefore not necessarily representative of the overall development of rents.

Table 5 Employment and Labour Force
Annual rates

	Employment in 1967 (thousands)	1961-65	1966-67	1968-69
		<i>Per cent changes</i>		
Sectors of declining employment	1 229	-3.7	-2.3	
Agriculture and fishing	1 060	-3.8	-2.1	
Mining	22	-3.6	—	
Domestic service	147	-3.1	-3.3	
Sectors of rising employment	1 830	2.3	1.8	
Manufacturing	762	2.2	1.2	
Building and construction	261	3.1	2.4	
Other	807	2.1	2.2	
Total employment	3 059	-1.2	0.1	-1.1
		<i>Thousands</i>		
Natural increase of population in active age groups		45.0	41.2	36.5
Net emigration		39.7	39.0	66.4
Increase in non-emigrating population in active age groups		5.3	2.2	-29.9
Change of domestic employment		-15.2	4.2	-30.4
Residual ¹		(20.5)	(-2.0)	(0.5)

¹ This reflects changes in military employment, labour force participation rates and open unemployment.

Sources: Portuguese submission to the OECD; Third Development Plan; Fundo de Desenvolvimento da Mao-de-Obra, Variaçao do emprego (1968) and Secretariat estimates.

Table 6 Prices and Wages
Percentage change from previous year

	1965	1966	1967	1968	1969
Consumer prices					
Six principal towns ¹	3.7	5.8	5.0	6.0	9.2
Lisbon	3.4	5.1	5.5	6.1	8.8
Food	4.2	7.3	1.7	4.2	8.1
Non-food	2.6	2.5	10.0	8.1	9.6
Clothing and shoes	0.6	2.7	8.4	1.1	0.3
Rents	3.3	0.9	18.2	15.6	19.5
Miscellaneous services	3.3	4.0	8.2	8.0	8.3
Wholesale prices, Lisbon	3.3	4.0	3.8	3.7	3.6
Wages in industry and transport					
Lisbon	5.7	8.0	8.5	8.7	11.4
Porto	11.9	11.0	11.0	8.1	9.9
Wages of male agricultural workers	5.5	14.3	8.9	18.5	7.2

1 Calculated by the Secretariat by weighting the individual indices by the population of the six areas.

Source: Boletim Mensal de Estatística, Instituto Nacional de Estatística.

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played a role, notably during the period following the introduction of a 7 per cent transactions tax in late 1966. Rising agricultural producer prices, combined with a gradual reduction of subsidization of retail prices of certain important foods and the freeing of earlier controlled prices of foods and certain non-food products, also influenced the price performance. The steepening of the wage rise probably led to price adjustments in a number of sectors, perhaps even those where it did no more than close the previous gap between the growth of hourly earnings and the advance of labour productivity. Finally, in the more recent period price developments in Portugal were no doubt affected by inflationary tendencies abroad¹.

All in all, it is improbable that the steepening of the price rise reflects a tendency for demand to become excessive in an overall sense. But price pressures have developed in a number of sectors owing to the failure of supply to adjust sufficiently quickly to the changing pattern of demand. The big increase of Portuguese tourist trade since the mid-'sixties probably contributed in no small measure to enhancing local price pressures.

In 1969 the Lisbon index of wholesale prices increased at approximately the same rate as in the previous year. But the rise seems to have steepened in the closing months of the year, probably largely in response to strong increases in the price of certain important raw materials in foreign markets. The index covers largely foods and basic materials and apparently gives a relatively low weight to imported materials.

Wages have been rising fast in recent years, no doubt influenced by the large labour outflow. The indices for the Lisbon and Porto regions suggest a distinct acceleration of the rise of wage rates in 1969, but the steeper price rise may have offset much of this. Wage rates in agriculture, which have increased extremely fast in some recent years, advanced only moderately in 1969. It is possible that these indices are not fully representative, however, and there are only fragmentary data on wage earnings in industry, so that judgements on the development of wage costs are very difficult. In the more recently established branches of industry, the productivity advance has probably been at least in line with the wage rise in recent years, while unit labour costs could have risen in the less efficient traditional branches.

1 Escudo prices of industrial imports from Spain and the United Kingdom do not seem to have been adjusted appreciably to the devaluation of Peseta and Sterling in late 1967. (These countries supplied about one quarter of Portuguese imports of manufactures in 1967-1968.)

II THE BALANCE OF PAYMENTS

Portugal has continued to run a significant surplus on the current account of her global balance of payments. The surplus declined sharply in 1968, but, even so, corresponded to some 1½ per cent of GDP. Current transactions with countries outside the Escudo area, in surplus for the first time in 1967, swung back into small deficit and the traditional surplus with the overseas territories declined. The overseas territories showed a roughly stable surplus on their current account with foreign countries, so that the current account surplus of the balance of payments of the Escudo area as a whole declined quite sharply (to \$ 45 million). The net inflow of long-term capital into Metropolitan Portugal fell slightly, but this was nearly offset by a smaller net outward movement of long-term capital from the rest of the Escudo area¹. The long-term capital account of the Escudo area therefore continued in surplus, to the extent of some \$ 100 million. The small net outflow due to short-term non-monetary capital and unrecorded transactions fell; and the increase in the net foreign exchange position of private monetary institutions was much smaller than earlier. The net result of these movements was some decline of the exceptionally large surplus on official settlements, to \$ 135 million or roughly the level experienced in 1966. Whereas in 1967 the surplus had largely added to foreign exchange reserves, these were reduced in 1968 and official gold holdings were increased by \$ 157 million.

According to provisional figures the overall current account surplus of Metropolitan Portugal seems to have increased sharply in 1969, mainly owing to a marked increase in the surplus with the overseas territories. However, since the current surplus of the overseas territories with foreign countries virtually disappeared, the surplus of the Escudo area probably fell slightly. The net inflow of medium and long-term capital into the Metropolitan area fell substantially and despite an increase in the net inflow of foreign capital into the overseas territories, the trend towards a deterioration in the capital balance of the Escudo area seems to have continued. Despite the wide gap which has developed between interest rates abroad and at home, the balance on short-term capital movements apparently did not deteriorate. As a whole the surplus

¹ Since relations of the overseas territories with foreign countries are recorded on a settlements basis, any direct foreign investment in the form of imports of capital goods would not be reflected in either the current or the capital account. Such investment may have been significant in the period under review; to that extent, the capital outflow from the overseas territories to foreign countries, shown in the balance of payments, would only be apparent.

Table 7a Balance of Payments of the Escudo area
\$ million

	1966	1967	1968	Preliminary	
				1968	1969
CURRENT ACCOUNT					
Metropolitan area ¹	-40	29	-37	48	60
Overseas provinces ²	78	86	82	84	10
Exports	203	233	264	260	266
Imports	253	279	326	321	383
Trade balance	-50	-46	-62	-61	-117
Services and transfers	128	132	144	145	127
Current balance of the Escudo area	38	115	45	132	70
CAPITAL ACCOUNT					
Long-term capital	106	107	105	82	39
Short-term capital and unrecorded	-10	-12	-7	-71	-54
BALANCE ON NON-MONETARY TRANSACTIONS	134	210	143	143	55
PRIVATE MONETARY INSTITUTIONS	-5	-59	-8	-8	-5
BALANCE ON OFFICIAL SETTLEMENTS (increase of assets = +)	129	151	135	135	50
Net IMF position	4	—	—	—	—
Miscellaneous official transactions	-14	-10	-10	-10	-19
Changes in reserves	139	161	145	145	69
Gold	66	57	157	157	23
Convertible foreign exchange	73	104	-12	-12	46

1 For breakdown see table 7b.

2 Settlement basis.

Sources: Portuguese submission to the OECD and Annual Reports of the Bank of Portugal.

Table 7b Balance of Payments of Metropolitan Portugal
\$ million

	With non-Escudo countries					With the rest of Escudo area				Global balance				
	1966	1967	1968	Preliminary 1968 1969		1966	1967	1968	1969	1966	1967	1968	Preliminary 1968 1969	
Exports, fob	481	536	581	555	630	145	180	205	202	626	716	786	760	832
Imports, fob	822	868	963	857	1 004	92	93	111	118	914	961	1 074	968	1 122
Trade balance	-341	-332	-382	-302	-374	53	87	94	84	-288	-245	-288	-208	-290
Services, net	143	153	82	87	42	-21	-12	-30	47	122	141	52	57	89
Travel	178	187	135	136	93	11	16	17	17	189	203	152	153	110
Transport	-49	-51	-42	-37	-43	5	6	4	8	-44	-45	-38	-33	-35
Insurance	-3	-2	-5	-5	-6	1	1	1	2	-2	-1	-4	-4	-4
Investment income	-5	-3	-6	-6	-4	17	23	27	37	12	20	21	21	33
Government net	13	2	-11	-12	-3	-57	-61	-83	-26	-44	-59	-94	-95	-29
Other	9	20	11	11	5	2	3	4	9	11	23	15	15	14
Private transfers, net	158	208	263	263	392	41	61	52	25	199	269	315	315	417
Current balance	-40	29	-37	48	60	73	136	116	156	33	165	79	164	216
Long-term capital	113	118	110	86	6	—	-32	-16	-32	113	86	94	70	-26
Private	94	104	93	69	—	-3	-22	-6	-9	91	82	87	63	-9
Official	19	14	17	17	6	3	-10	-10	-23	22	4	7	7	-17
Short-term capital and unrecorded	-10	-12	-6	-70	-56	-4	-20	7	1	-14	-32	—	-63	-55
Balance on non-monetary transactions	63	135	67	64	10	69	84	107	125	132	219	173	171	135

Details may not add due to rounding.

NOTE Settlements basis for transactions with the overseas provinces.

Source: Portuguese submission to the OECD.

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on official settlements declined considerably, but gold and foreign exchange reserves again increased by \$ 69 million. At the end of the year gross reserves (including the Fund gold tranche position) stood at \$ 1,444 million, corresponding to approximately 12 months' imports into the Escudo area from foreign countries.

The trade deficit of Metropolitan Portugal with the rest of the world probably widened in 1969. However, as a result of a substantial improvement of the balance on invisibles, the surplus on current transactions increased significantly. The trend of imports during the year is difficult to assess¹. Provisional customs figures show a year-to-year increase in imports of more than 18 per cent, due mainly to a very steep rise in the fourth quarter. However, a comparison of the revised figures for 1969 with the final figures for the previous year gives a much more moderate growth of imports—of nearly 10 per cent. Food imports did not rise much, despite the poor results of agricultural output and a bad fishing season. Imports of chemicals continued to increase rapidly and some groups of finished manufactures, especially motor vehicles and electrical machinery and appliances, have also witnessed a very strong expansion.

After increasing by 8½ per cent in 1968, exports from Metropolitan Portugal seem to have maintained a better rate of progress in 1969. Revised figures on a customs basis indicate a year-to-year increase of about 12 per cent. The firmer trend seems to be due to a fairly significant expansion of export of basic and semi-finished materials. Exports of chemicals, which had markedly declined in 1968, seem to have recovered strongly, while exports of finished manufactures probably continued to expand at a sustained pace. Food exports on the other hand, declined somewhat, due to poor harvests. Portuguese exports to the main EEC countries showed the highest growth rates, but in spite of a modest performance of deliveries to the UK, exports to the EFTA countries increased rapidly. Exports to the

1 Statistical reasons explain the wide divergencies to be noticed in previous years between the provisional foreign trade figures published in the monthly statistics bulletin (quoted in the A-series of OECD Statistics), and the final figures published in the Statistical Yearbook for Foreign Trade (which show practically the same development as the revised figures published in the B-series of the OECD Foreign Trade Statistics).

% Change	Imports						Exports					
	1964	1965	1966	1967	1968	1969	1964	1965	1966	1967	1968	1969
Provisional figures	16.9	17.7	13.0	0.1	2.6	18.4	23.6	10.5	10.1	9.2	6.9	12.3
Final figures	18.6	18.7	10.7	3.6	11.2	10.1	23.3	11.8	7.5	13.2	8.7	12.1

The statistical authorities are currently revising recording methods for foreign trade transactions.

Table 8 Imports and Exports by Commodity Group
Percentage change from previous year

	Value in 1968 \$ million	1965	1966	1967	1968	1969
<i>Imports, cif</i>						
Food, drink, tobacco	147	6.2	35.2	10.8	6.3	2.3
Non-food	1 031	22.0	7.6	2.4	14.3	11.2
Industrial materials	521	18.1	-2.1	4.0	12.2	9.9
Chemicals	112	12.6	7.7	7.7	17.0	20.2
Finished manufactures	398	32.5	23.3	-1.0	16.2	10.3
Total	1 178	20.0	10.7	3.6	11.2	10.1
<i>Exports, fob</i>						
Food, drink, tobacco	175	20.6	3.4	13.6	6.1	-2.9
Non-food	577	9.2	9.1	12.9	9.5	16.3
Industrial materials	403	8.3	7.1	9.3	6.6	15.5
Chemicals	46	-1.2	10.3	4.1	-0.7	12.7
Finished manufactures	128	21.9	18.5	34.2	24.8	20.0
Total	752	11.7	7.7	13.0	8.7	11.8

NOTE Coverage according to SITC groups:

Food, drink and tobacco: 0, 1.

Industrial materials: 2, 3, 4, 6.

Chemicals: 5.

Finished manufactures: 7, 8.

Source: OECD, Foreign Trade Statistics, Series B.

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overseas territories, which account for about one quarter of total exports from Metropolitan Portugal, seem to have accelerated somewhat whereas deliveries to the United States remained virtually unchanged.

After declining somewhat in 1968, the surplus on current invisibles increased considerably in 1969. This improvement partly reflects the significant reduction in the deficit recorded for 1968 on government transactions (an item related to some extent to the trend in military expenditures in the overseas territories) and on other services, but another factor seems to have been the marked increase in net private transfers (mainly migrant workers' remittances). Judging by the balance of payments statistics (see figures in Table 7 b), the downward trend in net receipts from tourism seems to have continued in 1969. It should, however, be noted that statistical recording problems complicate the interpretation of these figures. Since 1968 an increasing proportion of workers' remittances which previously came in as bank notes and were recorded as tourist earnings are now made by international postal checks and are recorded as transfers. This tendency has developed with the re-introduction of exchange controls in some countries abroad. The balance of payments figures therefore do not reflect the underlying trends in real transactions in tourism and private transfer receipts.

It seems likely, however, that there was a relatively poor tourist season in 1968. For the first time for some years, the number of nights spent by foreigners in Portuguese hotels and boarding-houses declined slightly, and numbers of Spanish and French tourists, who account for a large part of Portuguese tourist trade, fell quite considerably. The situation may have been influenced by the devaluations of certain foreign currencies in late 1967. Thus the steep increase in tourist numbers in Spain in 1968 suggests a certain diversion to that country of tourist flows at the expense of Portugal and other Southern European countries which did not devalue. A quite marked recovery of the Portuguese tourist trade seems to have occurred in 1969. The number of foreign tourists visiting Metropolitan Portugal was up by 10.9 per cent, while the number of tourist nights seems to have increased even more. Statistics on average expenditure by tourists are unfortunately not available. It seems likely that in 1969 transfers by emigrant workers of earnings saved also increased fairly considerably. Although no overall figures on Portuguese emigration are available, economic activity in the main European countries employing Portuguese labour remained rather buoyant. To judge by French and German manpower statistics, arrivals of Portuguese workers in those countries seem to have risen considerably.

Table 9 Exports by Destination
Percentage change from previous year

	Percentage distribution in 1967	1965	1966	1967	1968	1969
Total	100.0	11.7	7.5	13.2	8.7	11.9
OECD countries	65.3	14.5	8.5	13.2	8.7	16.6
United Kingdom	21.5	24.9	13.8	30.2	6.5	11.9
United States	10.1	12.5	15.8	-0.3	13.9	0.2
Germany	5.3	19.0	-15.3	-5.3	17.1	24.8
France	4.6	3.1	18.5	3.6	7.4	26.9
Sweden	4.7	5.6	0.6	68.8	20.7	23.2
Italy	2.4	11.7	21.6	-16.4	-0.8	29.8
Other	16.7	9.9	6.4	9.2	4.3	23.5
Non-OECD countries	34.7	7.0	5.6	13.2	9.3	2.5
of which: Escudo area	24.3	11.7	1.4	17.2	11.4	11.0

Sources: OECD, Foreign Trade Statistics, Series A, and Boletim Mensal de Estatística, Instituto Nacional de Estatística.

In 1968 steps were taken to reduce illegal capital outflows, to provide incentives for Portuguese residents to repatriate funds held abroad, and to encourage foreign direct investment in Portugal. Exchange controls were tightened up and an amnesty granted for illegal capital outflows which had occurred in previous years. Non-residents were given legal guarantees concerning the transfer of income from investment and the repatriation of capital. It is not clear what the precise effect of these measures has been on capital movements. In Metropolitan Portugal, medium-and long-term capital movements, which had recorded a net inflow of about \$ 100 million in 1968, probably showed a slight deficit in 1969. This trend seems largely due to a significant decline in net inflows of private sector capital transactions with abroad. Net receipts on portfolio investments fell sharply as a result of a steep decline in non-residents' purchases of Portuguese securities. Trends in long-term interest rates in Portugal and abroad probably played a certain part in this development. Furthermore, net inflows of commercial credit and capital loans gave way to net outflows, mainly owing to the steep rise in repayments. Foreign direct investment in Portugal, after tending to fall in 1968, recovered somewhat in 1969. This could perhaps be the result of the steps which had been taken the previous year. The balance on capital transactions by the public sector also seems to have deteriorated slightly.

III CURRENT ECONOMIC POLICIES

Budget and monetary policies have not been extensively used for short-term demand management in the past and the need to secure an adequate rate of economic expansion has not always been closely reflected in the formulation of these policies. During the last few years, however, there is evidence of a more active attitude having been adopted towards economic growth in general and fixed investment in particular. Thus, government spending for investment and investment promotion has been stepped up, certain new incentives have been introduced for private fixed investment and the monetary authorities have taken various steps with a view to increasing the availability of credit for investment finance. The change of attitudes is also brought out by the 1970 government budget, which outlines certain new approaches to the problem of securing a recovery of business investment and specifies in greater detail than its predecessors the aims of policies in the current year, both in the budget and the monetary fields.

Budget policy

Provisional estimates of central Government operations (including autonomous central government funds and services) show expenditure for fixed investment rising by 14 per cent at current prices between 1967 and 1968 (see Table 10). Current saving of the central Government increased rather substantially, more than to offset the rise of fixed investment, so that net borrowing, already small in 1967, fell. In the general government sector as a whole, gross fixed investment rose by only 7.3 per cent in current prices. Current saving increased strongly and the overall surplus (net lending) doubled reaching a level corresponding to 0.9 per cent of GDP. All in all, therefore, and despite the more buoyant trend of central Government fixed investment, these provisional figures do not point to any marked shift in the direction of an easier budget policy in 1968.

The forecasts for the 1969 budget on a national accounts basis provided for a clearly more pronounced easing. They foresaw a 40 per cent increase in fixed investment expenditure, some slowdown in the growth of current revenue and an acceleration of the rise of current civilian spending. Central Government current saving would, thus, decline and net borrowing would increase quite strongly. The overall deficit on a national account basis was planned to be covered entirely by borrowing at home and drawings on cash reserves ; for foreign borrowing, repayments would exceed new loans, like in other recent years.

Table 10 General Government Revenue and Expenditure

National account basis

Billion escudos

	Central Government ¹			General Government		
	1967	1968	1969 ²	1967	1968	1969 ²
Current revenue	20.05	22.21	24.00	27.57	30.68	32.96
Direct taxes	5.77	6.42	7.00	7.25	8.00	8.82
Social security contributions	—	—	—	4.86	5.61	5.81
Indirect taxes	12.63	14.00	15.13	13.20	14.58	15.73
Other	1.65	1.79	1.87	2.26	2.49	2.60
Current expenditure	19.06	20.71	22.80	23.82	26.21	28.59
Goods and services, civilian	5.90	6.37	7.05	7.89	8.42	9.18
Goods and services, military	9.78	10.76	11.93	9.78	10.76	11.93
Transfers and subsidies	2.22	2.36	2.48	5.25	6.13	6.50
Interest on public debt	1.16	1.22	1.34	0.89	0.89	0.98
Current saving	0.99	1.50	1.20	3.75	4.47	4.37
Capital transfers received, net	0.01	0.12	0.16	0.32	0.44	0.49
Gross fixed investment	1.77	2.02	2.82	3.41	3.66	4.63
Lending or borrowing (—), net	-0.77	-0.40	-1.46	0.66	1.25	0.23
Lending, net of repayment	1.71	1.66	1.76	2.05	1.96	2.08
Borrowing, net of repayment	-1.17	-0.53	-1.47	-0.47	0.14	-1.05
At home	-1.28	-1.09	-1.79	-0.57	-0.42	-1.37
Abroad	0.10	0.56	0.32	0.10	0.56	0.32
Increase or decrease (—) of cash reserves	-1.31	-1.53	-1.75	-0.92	-0.85	-0.80

1 Including autonomous Central government funds and services.

2 Forecasts made in the autumn of 1969.

Source: Portuguese submission to the OECD.

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It is important to note that the policy of accumulation of cash reserves followed in the period 1964-1966 was abandoned in 1967.

The planned relaxation of budget policy last year is also reflected in the forecasts for the public sector as a whole. Gross fixed investment would be stepped up considerably although not at as ambitious a rate as foreseen for the Central Government sector. The growth of current revenue, and in particular Social Security contributions, was expected to slow down rather substantially despite extension of Social Security to the agricultural sector. But the rate of increase of current expenditure would not be reduced much so that current saving would be somewhat smaller than in 1968. The larger gross fixed investment would virtually eliminate the overall surplus.

Figures relating to payments authorizations in the Central Government budget, excluding autonomous funds and services, in the first eleven months of 1969 suggest that the more expansionary policy in respect of investment was continued, although the 40 per cent rise in spending foreseen by the forecast on a national accounts basis is unlikely to have been realised. Authorized current civilian spending was also rising at a good rate while authorizations for military payments were not significantly different than a year earlier. But this type of data may not be a reliable guide to the outcome of the budget for the year as a whole. Much of the increase in authorizations for military expenditure, in particular, tends to be concentrated in the late months of the year. The faster growth of spending was associated with a strong acceleration of the rise of revenue in the ordinary budget and the overall surplus of the administrative budget was much bigger than during the first eleven months of 1968. All in all, therefore, it is difficult to say whether fiscal policy moved towards significantly greater ease.

The budget forecast for the current year is only available on an administrative basis. It is somewhat difficult to interpret because, like in earlier years, both revenue and expenditure are significantly underestimated. It is true that first steps have been made to do away with the traditional techniques of budget forecasting and establish more realistic estimates. Yet, receipts from indirect taxes are shown lower, and receipts from direct taxes hardly higher, than the actual outcome in 1968. A marked departure from earlier trends can be observed only in extraordinary revenue from sources other than borrowing but given the heterogeneous nature of these receipts, this is not very significant. Similarly, it is difficult to know how far the expenditure estimates are affected by changes in forecasting techniques. In recent years, the unbudgeted increase of revenue was largely devoted

Table 11 **The Central Government Budget**
 Administrative basis, excluding autonomous funds and services
Billion escudos

	Budget results			Initial forecasts				
	1966	1967	1968	1966	1967	1968	1969	1970
Total revenue, except from borrowing	17.84	20.91	22.67	14.22	16.43	18.51	19.99	24.36
Direct taxes	5.08	5.42	6.27	4.32	4.60	4.85	5.29	6.46
Indirect taxes	7.45	9.41	10.05	5.04	6.28	7.41	8.11	9.99
Other ordinary revenue	4.41	5.07	5.51	3.46	4.08	4.65	5.10	5.58
Extra-ordinary revenue	0.90	1.01	0.84	1.40	1.47	1.60	1.49	2.33
Total current expenditure	14.01	16.44	17.98	12.04	14.82	15.41	18.04	20.56
Civilian	4.51	5.03	5.53	4.33	5.39	5.86	6.76	8.31
Military	8.44	10.23	11.16	6.75	8.32	8.73	9.73	10.55
Interest on the public debt	1.06	1.18	1.29	0.96	1.11	0.82	1.55	1.70
Current saving	3.83	4.47	4.69	2.18	1.61	3.10	1.95	3.80
Gross fixed investment and gross lending	4.64	5.54	6.08	4.28	4.38	5.56	6.39	7.29
Debt repayment (net)	0.98	1.38	1.14	1.09	1.00	1.36	0.89	0.94
Domestic borrowing	1.06	2.31	2.17	2.13	3.55	2.81	3.92	3.62
Foreign borrowing	0.84	0.24	0.93	1.06	0.22	1.01	1.41	0.81
Funds carried forward to future budget years	0.11	0.10	0.57	—	—	—	—	—

Sources: Ministerio das Finanças, Relatório do Orçamento para 1970, Conta General de Estado, 1968; Proposta de lei de autorização das receitas e despesas para 1970.

to military spending and, to a lesser extent, investment and lending. Hence military expenditure has turned out as much as one-fourth larger than initially foreseen in some years. In 1970, therefore, military expenditures will probably be higher than envisaged. Current civilian expenditure, which in the past has moved better in line with the forecasts, is expected to increase relatively fast in 1970, partly due to adjustments of government wages and salaries. The forecasts also seem to imply continuation of the expansive policy in respect of central government fixed investment and lending. But with the increase foreseen for current saving, government borrowing is expected to be significantly lower than forecast for 1969.

Given the nature of these estimates it is unclear whether they imply a shift of budget policy in an expansionary direction in the current year. The budget provides for certain tax changes, especially for « professional » and « complementary » taxes, taxes on revenue from capital¹ and death duties on large inheritances, but these are not expected to add significantly to tax revenue in 1970. The various incentives introduced for fixed investment in 1968 will remain in force. These include reductions in the industrial tax on capital goods acquired by certain industries and somewhat more favourable depreciation allowances than had previously been applied. Furthermore, specified industries are allowed duty-free imports of capital goods not produced at home and for all industries imports of many important industrial materials are either exempted from customs duty or pay duty at a rate reduced by 50 per cent. Many of these various facilities had apparently been provided on a large scale also prior to 1968, but the new legislation was more comprehensive and has simplified cumbersome administrative procedures.

The final impact of the budget on output and activity will, in part at least, depend on the extent to which the change of attitudes towards the role of budget policy, conveyed by various statements in the budget documents for 1969 and 1970, will have influenced the conduct of budget operations in the current year. The statements concern in particular the need to assess the budget with a view to its influence on the general level of demand and activity, rather than in terms of traditional concepts of budget accounting. To permit more rational budget planning it is considered important to adopt an economically meaningful budget classification, do away with the practice of systema-

¹ Professional taxes are charged against the wage bill of private enterprises and professional incomes. Complementary taxes are a surcharge on household's incomes above a certain level. Taxes on income from capital apply especially to interest on long-term deposits, and from holdings of bonds and shares.

tically underestimating the revenue and expenditure forecasts, and enlarge the coverage of the budget so as to include various transactions left out of the budget at present. Furthermore, the budget documents stress the need for a more expansionary policy with a view, in particular, to securing an adequate expansion of fixed investment. In this connection, it is considered desirable that the government should pursue a policy of encouraging investment by the private sector ; that it should participate, either directly or by using public enterprises as intermediaries in the creation of industrial enterprises ; and finally that the public sector should take the initiative itself in making certain investments.

As regards the balance of payments implications of a more expansionary policy towards investment and economic expansion in general, it is considered that there are no grounds for concern, given the high level of official gold and foreign exchange reserves and the expected inflow of foreign capital. Implications for the price rise are not thought to constitute an obstacle ; the relatively high rate of price increase experienced over the last year seems to reflect largely temporary supply difficulties in certain agricultural products and inadequate adjustment of supply to the changing pattern of demand, rather than a tendency for demand to become excessive in an overall sense.

Money and credit policy

Money and credit policy is not as yet widely used as an instrument of demand management in Portugal. Action taken in recent years has aimed first and foremost at modifying institutional arrangements with a view to overcoming certain shortcomings of the money and capital markets. The problem is essentially one of improving the function of transforming short-term savings into longer-term finance, encouraging a shift away from preference for liquid savings, and providing facilities capable of meeting the special credit needs of particular sectors. To this end certain new legislation has been passed in recent years and further legal action is envisaged in a number of areas.

These essentially structural measures apart, there has been little policy action in the field of money and credit in recent years. The measures reviewed in the previous OECD Economic Survey of Portugal were followed up by certain changes in banks' legal minimum reserve requirements and the ceilings on bank deposit and lending rates in the autumn of 1967. Early in 1969, rates applied for Central Bank

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discounts and rediscounts have been slightly changed. The details of these measures are as follows :

- (a) The changes in minimum reserve requirements in 1967 involved slight reductions for deposits with less than 90 days' notice, following substantial increases in 1965, and an increase from 5 to 6 per cent for other deposits. Simultaneously a 15 per cent upper limit was introduced for the share of legal reserves which the banks could hold in the form of bank and postal checks. Legislation in April 1969 lowered this limit to 10 per cent and specified in detail assets qualifying for reserves against different liabilities. The overall legal reserve ratios fixed in 1967 were, however, kept unchanged.
- (b) Changes in 1967 of ceilings on rates paid on bank deposits ranged from $\frac{1}{2}$ to $\frac{3}{4}$ percentage points on rates varying from $\frac{1}{2}$ to $3\frac{1}{2}$ per cent. Except for sight deposits and deposits with up to 30 days notice owned by business enterprises, most types of deposits enjoyed an increase in the legal maximum.
- (c) The accompanying increases in the ceiling on bank lending rates amounted to $\frac{1}{2}$ -1 percentage points on rates ranging from $4\frac{1}{2}$ to $5\frac{1}{2}$ per cent. All credit was affected other than credit of less than 3 months' and more than 5 years' duration, for which the ceilings were kept unchanged at $4\frac{1}{2}$ and $6\frac{1}{2}$ per cent, respectively.
- (d) The change of Bank rate early last year involved replacement of the earlier uniform rate ($2\frac{1}{2}$ per cent for rediscounts and 3 per cent for discounts) by new selective rates ranging from $2\frac{1}{4}$ to 3 per cent.

In April 1970, the Bank of Portugal raised its discount rate from 3 to $3\frac{1}{2}$ per cent. But certain operations could still benefit from special rediscount rates set at :

- 2 % for export credits (extended according to Decree No. 47.908 of September 7 1967, and 48.950 of April 3 1969).
for medium term credits governed by special regulations. (Decree No. 48.948 of April 3 1965). These relate to credit operations that can be carried by commercial banks using specified resources such as time deposits of more than 180 days, proceeds from bonds issues, loans granted by domestic special credit institutions and foreign credit institutions.

- 2 $\frac{1}{2}$ % for credits granted either for the purchase of technical equipment produced in Portugal or for raw materials to be used by the domestic industry.
for credit operations related to the purchase of essential consumer goods.
- 3 $\frac{1}{2}$ % for all other discounting operations.

It is not quite clear what impact these various measures have had on money and credit conditions to date. The modification of minimum reserve requirements and bank deposit-and-lending rates would be expected to have entailed some shift in the structure of deposits and credit. But the available statistics do not allow these to be closely traced. The main change conveyed by the data concerns a certain shift in commercial and savings banks' deposits into longer-term deposits (90 days' to 1 year's notice). However, the increase in ceilings for bank deposit rates in 1967 left these rates low by comparison with those prevailing in most other Member countries and in relation to the degree of price rise in Portugal. The modification may, therefore, not have contributed significantly to mobilizing available savings which tend to be held in liquid form, including hoarding. The generally low level of interest rates, maintained in the face of sharply rising rates abroad, also has been partly responsible for the deterioration of the capital account of the balance of payments over the past year (see page 22).

After a marked slackening in 1967, the expansion of credit extended by the banking system picked up again in 1968, particularly in the last part of the year, and accelerated in 1969. Outstanding bank credit of all kinds (to the private and public sectors) increased by about 21 $\frac{1}{2}$ per cent over the year. After declining steeply in 1968, credit to the public sector expanded at a moderate rate of about 10 per cent, but credit to the private sector rose strongly as a result of a substantial acceleration in advances by the Central Bank and the commercial banks. Commercial banks' lending continued to grow steadily at more or less the same rate as in 1968, whereas discounting of commercial paper expanded even faster (about 25 per cent). The banks' liquidity position (ratio of cash reserves to total commitments) declined from 15.2 per cent in 1968 to 13.2 per cent in 1969. At end-1969 the excess of free reserves over compulsory minimum reserves stood at 18.3 per cent as against 34 per cent during the previous two years. The commercial banks also increased their recourse to Central Bank credit facilities. Their margin of available credit, which still amounted to about 15 per cent in 1968, was reduced to less than 10 per cent in 1969.

Table 12 Money and Credit Expansion

Million escudos

	Outstanding end of period 1968	Annual change			Percentage change		
		1967	1968	1969	1967	1968	1969
Liquid assets	130 980	11 535	15 392	22 690	11.1	13.3	17.3
Money	94 673	5 744	6 090	12 341	6.9	6.9	13.0
Quasi money	36 307	5 791	9 302	10 349	27.3	34.4	28.5
External assets	44 961	4 595	4 924	2 269	13.0	12.3	5.0
IMF account	561	—	—	—	—	—	—
Stocks and shares and investments	12 918	998	217	1 009	8.5	1.7	7.8
Overseas provinces compensation accounts	445	31	88	32	9.5	24.6	7.2
Miscellaneous	-15 080	618	-904	622	—	—	—
Banking credits ¹	87 175	5 293	11 607	18 758	7.5	14.5	21.5
Public sector	3 020	1 343	-1 426	322	43.3	-32.1	10.7
Private sector	82 587	4 236	11 787	18 963	6.4	16.6	23.0
Other ²	1 568	-286	706	-527	—	—	—
Commercial banks	63 267	5 439	9 103	14 869	11.2	16.8	23.5
CGDCP ³ and saving banks	17 658	705	1 324	2 372	4.5	8.1	13.4
Bank of Portugal ⁴	5 688	-534	22	2 976	-8.6	0.4	36.5
Commercial portfolio	52 595	4 718	7 280	14 294	11.6	16.1	27.2
Guaranteed loans and current account	28 823	2 968	2 694	2 694	12.8	10.3	—
Other credit operations	5 757	-2 393	1 093	4 464	—	—	—

NOTE: Because of methodological changes, the series are not exactly comparable with those published by the Bank of Portugal for the years before 1965. The three breakdowns given in the table do not add to the same total.

1 Excluding inter-bank transactions.

2 Including adjustment item.

3 Caixa Geral de Depositos, Credito e Previdencia.

4 Net of credit to monetary sector.

Sources: Annual Reports of the Bank of Portugal.

The rate of growth of the money supply broadly defined (money and quasi-money) has tended to accelerate. From 13.3 per cent in 1968 it rose to 17.3 per cent in 1969 and was well in excess of the growth in GDP at current prices. There was a particularly steep increase in the last quarter of the year. Quasi-money assets grew significantly faster than money assets as a result of saving incentive measures. Conversions of sight deposits to time deposits are however tending to slow down. The expansion of the money supply is largely a reflection of the rapid growth of bank-financed credit, since the net gold and foreign exchange assets tended to grow less fast than in 1968.

With available statistics it is not possible to follow with any precision the development of all the means of financing put at the disposal of the economy over recent years. In addition to credit financed by the banking system part of credits to the economy is financed out of non-bank resources¹. Firms can also raise funds in the capital market or abroad. Indeed, some enterprises seem to have borrowed abroad to a larger extent than earlier, despite the interest rate differential in favour of domestic borrowing. One reason for this is apparently the less cumbersome and lengthy procedures followed by foreign banks in according credit. Private borrowing in the domestic capital market increased in 1968 and this tendency seems to have continued last year. Certain measures were taken in 1967 with a view to making investment in private domestic fixed interest securities more attractive, but it is uncertain whether they have significantly improved the capacity of private companies to compete for private savings so far. The measures included larger exemptions for most private issues and an increase from 5 to 6 per cent of the ceiling on interest rates offered on them. However, at the same time the interest rate paid on Treasury « development bonds » was raised from 3½ to 5 per cent and, as noted above, most bank deposit rates were put up.

Ways and means of overcoming the various shortcomings of the capital market have remained under active study during recent years. It is planned to modify capital market regulations with a view to promoting a larger volume and greater diversification of issue activity. Inter alia, incentives for companies to finance a larger share of any increase in capital stock in the domestic capital market are envisaged.

Various steps have also been taken to improve the structure of bank lending. This included changes last year in regulations affecting the Caixa Geral, the main institution for medium-and long-term lending,

¹ Own resources of certain Financial Institutions, Banco de Fomento, Public Funds of a financial nature (Development funds for fishing, tourism, etc.).

and the medium- and long-term lending of the commercial banks. The changes were intended to increase the lending potential of these institutions in the medium- and long-term market. This was accompanied by the setting-up of new facilities to help the commercial banks assess credit risks and insure against them. Plans for modification of the ruling arrangements for credit to agriculture, industry, tourism, exports and imports have also begun to be carried out in the last couple of years. New credit institutions have been created to meet some of these special needs. The most important one is the Sociedade Finaceira Portuguesa, which was set up last year. In cooperation with other credit institutions the company will aid in the establishment of new enterprises, including enterprises with mixed private-public ownership, and promote reorganisation of existing ones. One important task of the company concerns regional development finance. For its activities the company disposes of certain special budget funds and it is planned to charge it with administration of the government's commercial portfolio.

IV DEVELOPMENT POLICY

The Third Development Plan

The Third Development Plan covers the period 1968-1973¹. It foresees an average annual growth of real GDP by 7 per cent, compared with an actual growth of about 6 per cent during the Interim Plan period (1965-1967) and probably slightly more than 6 per cent in the first two years of the Third Plan. Tourism is expected to lead in the expansion, with an average annual growth rate of 20 per cent. For manufacturing and building 9 and 8 per cent, respectively, are foreseen compared with 8.3 and 2.3 per cent respectively during the Interim Plan period. A more moderate rate of expansion — 3 per cent — is envisaged for agricultural activity, but this represents a significant improvement compared with past growth performance. The Plan recognizes that autonomous factors are unlikely to bring about this and, contrary to the Interim Plan, which treated agriculture as a residual sector², the Third Plan considers a satisfactory increase of farm output and productivity an important policy target. The greater importance

1 The discussion of the Plan given in this Survey is based on targets announced in the published Plan documents. These however provided for a revision of projects to be carried out during the period 1971-1973.

2 Cf. the 1966 OECD Survey of Portugal, page 34.

Table 13 Projections of the Development Plan 1968-1973
(a) OUTPUT AND EXPENDITURE (1963 prices)

	1967 Estimated in plan		1973		Average annual percentage changes	
	Escudos billion	Per cent	Escudos billion	Per cent	Trend 1953-1966	Forecast 1968-1973
Private consumption	79.7	72.0	108.5	65.6	4.3	5.6
Public consumption	14.2	12.8	19.7	11.9	7.5	5.7
Gross fixed investment	21.0	19.0	37.3	22.5	8.5	8.5
Changes in stocks	0.9	0.9	1.3	0.8		
Exports of goods and services	28.1	25.4	51.3	31.0	—	10.8
Imports of goods and services	33.1	30.1	52.7	32.0	—	7.8
External balance	-5.2	-4.7	-1.4	-0.8	—	
GNP at market prices	110.5	100.0	165.5	100.0	5.2	7.0
Primary sector	17.6	17.5	21.1	14.0	1.0	3.0
Agriculture and fishing	17.3	17.2	20.6	13.7	1.0	3.0
Mining	0.4	0.4	0.5	0.3	-2.2	3.5
Secondary sector	44.1	43.9	73.6	48.9	8.3	8.9
of which: Manufacturing	35.5	35.3	59.6	39.6	8.2	9.0
Construction	5.7	5.7	9.1	6.0	8.1	8.0
Tertiary sector	38.8	38.6	55.9	37.1	5.0	6.3
GDP at factor cost	100.5	100.0	150.6	100.0	5.0	7.0

NOTE All figures in the tables relative to the Third Development Plan are taken from the Plan and figures for the past, some of which are provisional estimates, do not therefore always agree with the data given in other parts of the present Survey.

Source: Third Development Plan 1968-1973.

(b) EMPLOYMENT

	1967		1973		1953-1966	1967-1973
	Thousands	Per cent	Thousands	Per cent	Average annual percentage changes	
TOTAL	3 058.7	100.0	3 151.7	100.0	0.4	0.5
Primary sector	1 082.5	35.4	896.2	28.5	-1.9	-3.1
Agriculture	1 022.1	33.4	835.2	26.5	-2.0	-3.3
Fishing	38.7	1.3	39.3	1.2	—	—
Mining	21.7	0.7	21.7	0.7	-0.8	—
Secondary sector	1 037.1	33.9	1 151.3	36.5	2.4	1.8
Manufactures	762.1	24.7	845.1	26.8	1.9	1.7
Construction	260.8	8.3	291.7	9.3	3.7	1.9
Other	14.2	0.9	14.5	0.5		
Tertiary sector	939.1	30.7	1 104.2	35.0	1.0	2.7
Government	113.6	3.7	115.5	3.7	0.4	0.3
Education	63.5	1.9	100.7	3.2	5.7	8.0
Health	42.7	1.3	62.4	2.0	5.3	6.5
Other	719.3	23.7	825.6	26.2		

Source: Third Development Plan 1968-1973.

(c) GROSS FIXED INVESTMENT AND PRODUCTIVITY

	Gross fixed investment (1963 prices)						Productivity per person employed	
	1967		1973		Average annual percentage changes		Average annual percentage changes	
	Escudos billion	Per cent	Escudos billion	Per cent	Trend 1953-1966	Forecast 1968-1973	Trend 1953-1966	Forecast 1968-1973
TOTAL	20.98	100.0	37.19	100.0	8.5	8.5	4.5	6.5
Agriculture, forestry	1.20	5.7	2.63	7.1	2.2	8.5	3.1	6.5
Fishing	0.19	0.9	0.34	0.9	3.1	3.4	2.0	3.4
Industry	8.50	40.5	14.98	40.2				
Mining, quarrying	0.05	0.2	0.07	0.2	-9.5	—	1.4	3.5
Manufactures	6.40	30.6	10.73	28.8	13.8	9.0	6.2	7.2
Electricity, gas, water	2.05	9.8	4.18	11.2	5.7	11.4	7.2	9.0
Construction	0.31	1.5	0.51	1.4	10.0	8.0	4.2	6.0
Services	10.78	51.4	18.83	50.5				
Transportation	2.80	13.3	5.97	16.0	7.9	8.0	3.3	3.8
Government	1.07	5.1	1.44	3.8	10.6	5.8	2.9	3.6
Education	0.29	1.4	0.70	1.9	6.6	8.0	—	—
Health	0.11	0.5	0.38	1.0	-2.8	6.5	—	—
Other	6.51	31.0	10.34	27.7				

Source: Third Development Plan 1968-1973.

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attached to agriculture seems to be prompted by concern over the social implications of the low level of farm incomes and large outflow of labour from agriculture and the adverse impact of lagging farm output on food prices and food imports.

The projected expansion of output is expected to require little increase of employment; total employment is assumed to rise by 0.5 per cent a year on the average, with labour productivity improving at an average annual rate of 6.5 per cent. In manufacturing and construction, the rise of employment is expected to be slower than during the first half of the sixties (see Table 13 B); employment is assumed to advance at a rate of 1.7 and 1.9 per cent, respectively. But a sharp acceleration is forecast in the service sector (excluding domestic service) so that total urban employment would grow rather faster than earlier. The outflow of labour from agriculture would slow down somewhat, compared with the 1961-65 trend; worker emigration would amount to 18,000 a year, on the average.

To achieve the overall growth targets of the Plan it is estimated that real gross fixed asset formation will need to increase at an annual rate of 8.5 per cent, reaching 22.5 per cent of GNP in 1973 (at 1963 prices) as against 19 per cent in 1967. Investment targets vary significantly from sector to sector, reflecting the different assumptions adopted with respect to capital-output ratios and the growth of output. Compared with past performance the growth of fixed investment is expected to steepen particularly in agriculture and industry and a strong rise is envisaged for the tourist sector. The published Plan foresaw that public sector investment would account for 17.5 per cent of total gross fixed asset formation during the Plan period; the target has since been reduced to 14 per cent.

Private consumption is obtained as a residual but it appears that the 5.6 per cent average annual growth rate forecast for this demand component is roughly consistent with the assumptions made about employment, emigration, wages and salaries. For public consumption a 5.7 per cent annual growth is envisaged. With the implied GDP deflator for public consumption moving in line with that for 1966-68 this would give 10 per cent in value terms. It appears, however, that government wages and salaries are assumed to improve at a somewhat faster pace than during 1966-68.

Central government current civilian expenditure and ordinary military expenditure are projected to increase at an annual rate of 10.5 per cent (current prices). This seems to be somewhat faster than the envisaged expansion of money GDP. The trend of employment

in the government sector would not change significantly, expenditure for health and education would be stepped up with little change in the growth rate of other civilian spending. Ordinary military expenditure (current prices) is expected to increase by 9.3 per cent a year. Extraordinary military expenditure, admittedly difficult to forecast, has apparently been excluded from the projections. But two assumptions were made for the Plan period 1971-73 in respect of these. One foresees a continuation of recent trends, the other envisages that spending would come back to a more « normal » level after 1970, permitting a reduction of extraordinary military expenditure by Esc. 2.7 billion between 1970 and 1973. The Plan foresees the possibility of revising the main targets for the second half of the Plan period, depending on the development of this expenditure.

These projections imply that current general government expenditure (excluding extraordinary military expenditure) would rise slightly faster than current revenue. Tax receipts seem to have been estimated as a fixed proportion of the forecast money GDP whereas one should normally expect an increase of tax elasticity with respect to national income. Diresgarding extraordinary military expenditure and government fixed investment, the surplus on general government operations would amount to Esc. 11.4 billion in the final year of the Plan period. This seems to correspond to about 5 per cent of money GDP in 1973¹. If extraordinary military expenditure were to remain at the 1968 level in current prices, general government current saving would be equal to about 2 $\frac{1}{2}$ per cent of money GDP.

With regard to the balance of payments, the Plan foresees that the surplus on the current account of metropolitan Portugal with the rest of the world will rise to 3.8 per cent of GNP by 1973. This assumes, as a working hypothesis, that invisible transactions with the overseas provinces remain in balance during the Plan period. Imports of goods and services would increase by 8 per cent and exports by 10.6 per cent a year, with a somewhat faster rise in commodity imports (7.8 per cent) than in commodity exports (6.5 per cent). The volume of food imports would expand at a rate somewhat higher than that projected for private consumption. A very low rate (2 per cent) is retained for imports of mineral fuels and lubricants; imports of machinery and equipment and chemicals are expected to rise by 9-10 per cent with somewhat lower increase in other manufactures and crude materials.

¹ The estimate of money GDP has been derived by applying an average annual growth of 9.3 per cent to current price GDP in 1967.

d) GENERAL GOVERNMENT CURRENT REVENUE AND EXPENDITURE¹ (current prices)

	1967	1973	1968-1973		Average annual percentage changes
	<i>Billion Escudos</i>		<i>Billion Escudos</i>	<i>Per cent</i>	
Total current revenue	27.9	46.6	227.9	100.0	8.9
Total taxes	25.4	43.4	210.4	92.3	9.3
Income from property and entrepreneurship	1.2	1.7	9.0	3.9	6.0
Current transfers	0.9	1.1	6.1	2.7	3.4
Sales of goods and services	0.4	0.4	2.4	1.1	—
Total current expenditure	20.1	35.2	169.2	100.0	9.8
Current expenditure on goods and services	13.1	23.8	112.9	66.8	10.5
Civilian	8.3	15.6	72.9	43.1	11.1
Military (ordinary)	4.8	8.2	40.0	23.7	9.3
Subsidies	1.4	2.1	10.9	6.4	7.0
Interest on public debt	1.0	2.4	10.2	6.0	15.7
Current transfers ²	4.6	6.9	35.2	20.8	7.0
Net current saving	7.8	11.4	58.7	25.8 ³	

1 Excluding "extraordinary" military expenditure.

2 From, or to, households, private non-profit institutions and the rest of the world.

3 In per cent of current revenue.

Source: Third Development Plan 1968-1973.

The import projections seem low in view of the relations they imply between imports and main expenditure aggregates and judged by past experience of countries at a similar stage of economic development. Indeed, even with a high degree of import substitution, it is difficult to envisage an import elasticity with respect of GNP only slightly higher than 1 (as assumed by the Plan) when countries like Italy, Greece, Spain and Portugal itself, have had elasticities of 1.6 to 2.9 during the 1960-67 period. The forecast for food imports is not unfeasible, but it implies that the rather ambitious targets set for agriculture will in fact be achieved. In the negative, food imports could turn out much higher than projected; at the income levels envisaged by the Plan, demand for higher income foods should increase rather strongly. All in all, therefore, there is a possibility that imports may rise quite a bit faster than assumed and it appears that the Plan targets are being revised in this area.

Given the other assumptions of the Plan, a higher import growth would imply that in order to achieve the 7 per cent growth rate for GNP the performance of exports would have to exceed the forecast 6.5 per cent. The Plan provides for only a moderate rise of food exports (3.6 per cent) and a somewhat higher one for crude material exports. The biggest increases would occur in machinery, transport equipment, and chemicals. Textile exports are expected to encounter stronger competition from Asian countries and a weakening trend of such exports could significantly affect the overall export performance, given their heavy weight in the total. It is possible, however, that the potential growth of certain commodity exports has been put rather too low in the Plan.

The widening trade gap is assumed to be nearly offset by a very strong advance of net earnings on services, mainly tourist receipts, which are expected to rise at a rate of 20 per cent a year in volume terms. Rates of this order have indeed been achieved in some Southern European countries at the early stage of development of their tourist industry, but they seem to be rather difficult to maintain once this stage has been passed. The deficit on goods and services is, thus, expected to fall considerably during the Plan period, and net private transfer receipts are assumed to increase so fast that the current balance of payments would swing from a deficit of Esc. 0.1 billion in 1967¹ to a surplus of Esc. 6.3 billion in 1973. Imports may, however, turn out higher and tourists receipts lower than foreseen so that the

¹ Estimates used in the Plan ; in actual fact the current account showed a large surplus in 1967.

planned large surplus, which does not appear appropriate for a country at Portugal's stage of economic development, might not be realised.

Plan implementation

The Plan document contains a rather extensive discussion of the orientation of particular policies envisaged to attain its targets. The success or otherwise of the Plan will no doubt depend importantly on the extent to which these general considerations are translated into concrete policy action. Like in the earlier development plans, plan implementation in the field of fixed investment will be carried out through annual investment programmes. These are expected to account for more than one-half of the total fixed asset formation foreseen during the Plan period, with the share particularly high in the case of agriculture, in line with the more ambitious targets adopted for that sector¹. For industry, the annual programmes of the Third Plan seem to cover a somewhat lower share (about one-half) of the total of fixed industrial investment projected for the Plan period than had the programmes of the Interim Plan. This probably does not reflect an intention on the part of the authorities to accord less importance to industrial investment, but results mainly from more realistic development planning. In the past, the annual programmes for the industrial sector had included not only projects for which full or partial government finance was foreseen, but a large volume of private investment which the authorities had reason to suppose would be carried out. Thus, in the 1968 programme, more than two-fifths of the industrial projects put down were insufficiently prepared to allow investment expenditure to be quantified. The proportion was smaller in the non-industrial sector where the programmes cover only projects approved by the Central Planning Office. It now seems to be the intention of the planners to exclude from the annual programmes projects for which basic quantitative information is lacking.

The annual programmes set up in the first two years of the Third Plan are shown in Table 14. It can be seen that fixed investment outside industry was expected to be twice as high as achieved, on the average, in the annual programmes of the Interim Plan. Although execution of the 1968 programme fell significantly short of the targets, investment in the non-industrial sector was stepped up very significantly.

¹ For agriculture, tourism, health and education the programmes provide for a larger amount of spending than foreseen for total fixed investment in these sectors during the Plan period. This is due to the inclusion in the programmes of certain spending for purposes other than fixed investment.

Table 14 The Annual Investment Programmes of the Development Plans
Billion escudos

	The interim plan				The third plan				
	1965-1967 (Annual averages)		1967		1968		1969		1970
	Forecast	Actual expenditure	Forecast	Actual expenditure	Forecast	Actual expenditure	Forecast	Actual expenditure	Forecast
<i>By sector of investment</i>									
TOTAL	13.30	9.05 ¹	14.12		18.53	16.78	19.46		12.65 ⁶
Industry	5.01 ²	4.11 ³	5.26		6.23	7.73 ⁴	6.27		0.02
Other	8.21	6.31	8.86	6.87	12.30	9.02	13.19		12.63
Agriculture and forestry	1.09	1.08	1.03	1.27	2.14	1.63	2.32	1.25	1.92
Fishing	0.11	0.21	0.12	0.39	0.35	0.25	0.32	0.12	0.31
Energy	2.70	1.79	3.44	2.29	2.54	2.05	2.62	2.11	2.59
Transport, communication	2.52	1.97	2.45	1.77	3.80	2.78	3.83	3.00	3.97
Tourism	0.41	0.47	0.41	0.58	0.74	0.51	0.91		0.34
Housing	0.76	0.39	0.68	0.12	1.35	0.75	1.55	1.07	1.49
Education, health	0.53	0.39	0.59	0.45	1.07	0.71	1.22	1.09	1.46
<i>By sector of financing</i>									
TOTAL	13.30	9.34 ¹	14.12		18.53	16.80	19.46		12.65
General government	4.14	3.47 ³	4.15	3.18 ³	5.58	4.92	6.80	6.06	6.75
Central government budget	2.02	1.69	1.83	1.58	2.22	2.01	2.65	2.65	2.33
Autonomous funds	0.53	0.48	0.64	0.61	1.41	1.21	1.38	1.23	2.56
Local government	0.18	0.23	0.17	0.18	0.29	0.10	0.60	0.37	0.37
Social security	0.95	0.71	1.04	0.42	0.91	0.88	1.10	0.88	0.63
Government enterprises	0.45	0.37	0.47	0.40	0.75	0.72	1.07	0.92	0.87
Foreign credit	1.82	1.25 ³	1.22	1.21 ³	3.69	1.09	3.13		0.63

1 Total corresponds to the sum of the 1965-66 average for industry and the 1965-67 average for non-industrial sectors.

2 Figures relate to finance approved.

3 Averages of 1965-66 only.

4 Figures relate to finance approved.

5 The data being not available yet, the estimates of the Instituto Nacional de Estatística have been shown in this table.

6 Provisional figures.

7 Excluding private sector for industry and tourism.

Sources: Portuguese submission to the OECD; Annual Reports of the Bank of Portugal and Third Development Plan 1968-1973.

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For the industrial sector available information on programme implementation suggests that results have slightly exceeded the targets. For the programme as a whole, 90.5 per cent of targets have been fulfilled—a much higher rate than achieved during the Interim Plan.

The 1969 programme implied ambitious targets in relation to the 1968 results. At the time of writing, only partial information was available on its implementation. The authorities are encountering considerable difficulties, owing to various administrative and technical delays in particular, in implementing the annual investment programmes. Thus, according to the figures shown in Table 14, only about three-fourths of the spending foreseen for the non-industrial sector during the Interim Plan period and in 1968 was in fact undertaken. Programme implementation was very high in agriculture, but the results are affected by the inclusion in the annual programme of part of the regular current production subsidies to farmers. In important infra-structures like energy, transport and communications and particularly in housing and health, actual spending tended to lag behind programmed spending by a substantial margin. Industry experienced a somewhat higher than average degree of plan implementation. The available data on financing show that the shortfall was particularly large in respect of private domestic finance and foreign finance.

V PROSPECT AND POLICY ISSUES

In 1968, economic expansion was somewhat slower than foreseen in the Third Development Plan and the available partial indicators suggest that it continued to fall short of the Plan target last year. How far the growth performance of the economy can be improved in the current year will depend—weather conditions in agriculture apart—first and foremost on the strength of demand. On the supply side, there are no important constraints to an acceleration of output. Available savings are large and there should not be any shortage of labour in an overall sense, despite a certain tightening in various sectors. The outlook for employment opportunities for Portuguese workers abroad, notably in France—the main recipient country of emigrant Portuguese workers—suggests that the labour outflow will moderate in the current year and large scope remains for drawing on agricultural and other underutilized labour.

Exports of goods and services account for one-fourth of GDP and short-term prospects for this important component of overall demand are somewhat uncertain. The outlook is for some slowdown of the growth of world trade in the current year. This may not be fully reflected in Portuguese exports given their geographical and commodity structure. The United Kingdom and the overseas Escudo area normally provide nearly one half of total export outlets; the trend of import demand in the former country should not change significantly in the short-run and recent years' big fluctuations in the growth of Metropolitan exports to the rest of the Escudo area make it difficult to forecast these. The relaxation of restrictions on foreign travel expenditure imposed in certain Member countries should favourably affect Portuguese tourist activity.

However, the prospects for exports and tourism are not without uncertainty; the trend of domestic demand would therefore need to strengthen to maintain last year's rate of economic expansion and a more substantial acceleration of growth of domestic demand would be required to bring the growth performance of the economy better into line with the Plan targets. Autonomous factors can probably not be counted upon to provide this. Although, as already noted, the basis for assessing the development of private fixed investment and private consumption is incomplete and the value of the available indicators uncertain, it is possible that the growth of domestic demand has remained rather slack. Steps have been taken both in the budget and credit fields, to facilitate a recovery of business fixed investment in the last couple of years. But unless export prospects and, in the sector geared to the domestic consumer market, the outlook for private consumption are judged favourable, the recovery of business fixed investment could turn out weak. With prospects of emigration and private transfer receipts from abroad uncertain, real private consumption might not steepen much unless the growth of domestic employment is stepped up and the trend of real wages improves.

As far as it is possible to judge from the 1970 government budget and the posture of money and credit policy at the time of writing, demand management policies should provide a somewhat greater stimulus to the growth of output and activity in the current year than in 1969. The budget figures suggest that government fixed investment is planned to be stepped up. The maintenance of generally easy money and credit conditions should facilitate a recovery of fixed investment activity, but it might not, on its own, be capable of bringing it about. Some relaxation of policies in the budget field might, therefore, be required if domestic demand is to provide the basis for an

acceleration of the growth of output and activity. This would be consistent with official policy declarations in which the need to secure a more satisfactory rate of growth of fixed investment and overall economic activity has been stressed.

There should be no constraint to more expansionary policies either on the price or the balance of payments front. The relatively steep price rise over the past year probably does not reflect a tendency for demand to become excessive but owes much to the inadequate adjustment of the structure of supply to demand and could be handled by policies designed to speed up the adjustment and rationalize distribution channels. An improvement of the trend of demand and activity could entail a faster growth of commodity imports which, with prospects for commodity exports and tourism uncertain and a probable only moderate increase of foreign worker remittances, might reduce the current balance of payments surplus. But the surplus in the past couple of years has been high and not entirely appropriate to a country in the process of industrial development. Even if the surplus were to disappear, this might be partly offset by a larger inflow of foreign direct investment. The favourable impact on foreign investors of the more dynamic expansion would be expected to outweigh any adverse impact resulting from elimination of the current account surplus. Even a moderate temporary worsening of the overall balance of payments, with some decline of official gold and foreign exchange reserves, would not seem inappropriate, given the strong official reserve position and the benefits deriving with a more dynamic economic development and a faster improvement of living standards.

The relatively heavy weight of agriculture, with the vagrancy of crop harvests, and foreign trade in the Portuguese economy and the difficulty of assessing current trends in domestic demand and activity make assessment of short-term prospects difficult and complicate the task of formulating demand management policies. While it is true that the main preoccupations of the authorities responsible for economic policy formulation in a country in the process of industrial development will lie in the field of development planning, the orientation of short-term policies is of considerable importance. In the past, the Portuguese authorities have not been entirely successful in adjusting short-term policies to the declared aims of longer-term planning. In some recent years budget policy has had significant restrictive effects on economic activity and contributed to the difficulties encountered in realising the objectives of the Development Plans. Monetary policy measures, prompted mainly by the desire to bring about certain structural changes, have sometimes tended to work in the same direction.

From late in 1968 on, a significant change in the attitudes of the policy making authorities seems to have occurred. This is borne out by various official declarations and statements of intentions contained in the budget documents. Thus, it is now considered that the budget should be assessed in terms of its overall economic impact, the technique of budget planning should be modified to allow more realistic revenue forecasts, action to secure implementation of planned government investment should be strengthened and ways and means of active stimulation of private fixed investment should be further studied. Moreover, the Corporate Assembly, in its comments to the 1969 Budget Plan, recommended that the timing of the investment in the Third Plan should be modified so as to bring forward spending to the early years of the Plan. And the Central Bank, in its 1969 Annual Report, stressed the need to gear monetary and financial policies more closely to the aims of general economic policy.

It should be hoped that this new orientation of policy and attitudes will be fully translated into concrete policy measures in the near future. Although the rate of expansion of economic activity has been reasonably satisfactory in the last couple of years, it would seem that a non-negligible margin of slack still exists in the economy, as evidenced by the high external surplus. All in all, therefore, there would seem to be need for special measures to accelerate the process of economic development in line with the objectives of the Third Plan.

STATISTICAL ANNEX

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Table A National Product and Expenditure
Million escudos

	1961	1962	1963	1964	1965	1966	1967	1968	1969
<i>Current prices</i>									
Consumers' expenditure	62 052	60 676	67 186	71 680	79 288	87 314	91 330	101 478	
Government current expenditure	9 850	10 801	11 212	12 128	13 198	14 647	17 669	19 180	21 113
Gross fixed asset formation	13 512	13 848	15 951	16 587	18 543	22 331	26 486	27 707	28 472
Change in stocks	625	1 814	-247	1 018	1 567	-1 703	-405	4	
DOMESTIC EXPENDITURE	86 039	87 139	94 102	101 413	112 596	122 589	135 080	148 369	
Exports of goods and services including factor income	12 386	15 062	16 681	25 005	29 237	32 144	36 370	36 416	
Imports of goods and services including factor income	21 217	19 268	21 606	28 970	33 967	36 922	39 329	40 763	
GROSS NATIONAL PRODUCT AT MARKET PRICES	77 208	82 933	89 177	97 448	107 866	117 811	132 121	144 022	
Less : Net income from the rest of the world	-94	-142	-136	519	663	324	592	609	
GROSS DOMESTIC PRODUCT AT MARKET PRICES	77 302	83 075	89 313	96 929	107 203	117 487	131 529	143 413	
Less : Indirect taxes net of subsidies	5 813	6 616	6 989	7 713	8 601	9 675	11 724	13 024	14 095
GROSS DOMESTIC PRODUCT AT FACTOR COST	71 489	76 459	82 324	89 216	98 602	107 812	119 805	130 389	
<i>1963 prices</i>									
Consumers' expenditure	62 823	60 963	67 186	69 660	73 938	76 303	77 406	82 240	
Government current expenditure	10 031	10 884	11 212	11 977	12 861	13 709	15 580	16 509	17 786
Gross fixed asset formation	13 764	13 915	15 951	16 671	18 417	21 619	22 863	23 538	23 703
Change in stocks	229	1 890	-247	1 034	1 499	-1 774	-455	567	
DOMESTIC EXPENDITURE	86 847	87 652	94 102	99 342	106 715	109 857	115 394	122 854	
Exports of goods and services including factor income	13 655	16 193	16 681	24 183	27 325	28 598	30 666	29 203	
Imports of goods and services including factor income	21 534	19 661	21 606	28 017	31 745	32 849	33 161	32 689	
GROSS NATIONAL PRODUCT AT MARKET PRICES	78 968	84 184	89 177	95 508	102 295	105 606	112 899	119 368	
Less : Net income from the rest of the world	-99	-145	-136	502	620	288	500	488	
GROSS DOMESTIC PRODUCT AT MARKET PRICES	79 067	84 329	89 313	95 006	101 675	105 318	112 399	118 880	
Less : Indirect taxes net of subsidies	6 087	6 751	5 989	7 459	8 038	8 610	9 885	10 353	
GROSS DOMESTIC PRODUCT AT FACTOR COST	72 980	77 578	83 324	87 547	93 637	96 708	102 514	108 527	113 924

Source : Portuguese submission to the OECD.

Table B Origin of Gross Domestic Product at Factor Cost
Million escudos

	1961	1962	1963	1964	1965	1966	1967	1968	1969
<i>Current prices</i>									
Agriculture, forestry and fishing	16 702	17 537	18 234	18 313	20 873	21 319	24 197	24 775	24 801
Mining and quarrying	406	376	434	584	527	693	751	769	770
Manufacturing	21 409	22 987	24 805	28 821	32 777	36 457	40 797	45 976	49 593
Electricity, gas and water	1 823	1 905	2 053	2 237	2 382	2 563	2 973	3 144	3 419
Construction	3 371	3 626	4 404	4 470	5 016	6 402	5 634	5 197	5 694
Transport and communications	4 007	4 103	4 663	4 928	5 240	6 033	6 714	7 847	8 465
Wholesale and retail trade	8 645	9 458	10 358	11 526	11 965	12 355	13 874	15 947	18 277
Banking, insurance and real estate	1 677	1 963	2 054	2 230	2 543	2 852	3 241	3 851	4 442
Ownership of dwellings	2 695	2 862	2 972	3 111	3 444	3 745	3 892	4 008	4 275
Public administration and defence	4 786	5 420	5 718	5 969	6 243	6 999	8 452	8 910	9 537
Other services	5 968	6 222	6 629	7 027	7 592	8 394	9 280	9 965	11 086
GROSS DOMESTIC PRODUCT AT FACTOR COST	71 489	76 459	82 324	89 216	98 602	107 812	119 805	130 389	140 359
<i>1963 prices</i>									
Agriculture, forestry and fishing	16 908	17 950	18 234	17 694	18 802	16 986	18 795	19 176	18 976
Mining and quarrying	462	447	434	441	449	463	505	518	514
Manufacturing	21 779	23 173	24 805	28 587	31 510	33 679	36 249	39 342	41 318
Electricity, gas and water	1 728	1 905	2 053	2 283	2 449	2 650	2 862	3 120	3 392
Construction	3 336	3 637	4 404	4 474	5 054	6 320	4 781	4 391	4 733
Transport and communications	4 245	4 210	4 663	4 832	5 138	5 312	5 729	6 256	6 817
Wholesale and retail trade	9 058	9 658	10 358	11 146	11 182	10 994	11 699	12 676	13 589
Banking, insurance and real estate	1 757	2 003	2 054	2 157	2 377	2 536	2 732	3 062	3 303
Ownership of dwellings	2 731	2 851	2 972	3 101	3 235	3 389	3 533	3 714	3 921
Public administration and defence	4 786	5 420	5 718	5 969	6 243	6 808	7 804	8 238	8 864
Other services	6 190	6 324	6 629	6 863	7 198	7 571	7 825	8 034	8 557
GROSS DOMESTIC PRODUCT AT FACTOR COST	72 980	77 578	82 324	87 547	93 637	96 708	102 514	108 527	113 984

Source : Portuguese submission to the OECD.

Table C Gross Domestic Fixed Asset Formation by Industry of Use
Million d'escudos

	1961	1962	1963	1964	1965	1966	1967	1968	1969
	<i>Current prices</i>								
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	13 512	13 848	15 951	16 587	18 543	22 331	26 486	27 707	28 472
Residential construction	2 400	2 495	2 933	3 370	3 728	4 705	6 482	6 385	7 399
Other construction	5 752	6 295	7 732	7 463	8 579	10 865	9 508	10 296	10 890
Equipment	5 360	5 058	5 286	5 754	6 236	6 761	10 496	11 026	10 183
Agriculture, forestry and fishing	1 095	1 138	1 365	1 425	1 401	1 544	1 943	2 210	2 519
Mining and quarrying	162	205	94	35	79	88	91	55	34
Manufacturing and construction	4 360	4 066	4 508	4 899	5 973	7 610	7 539	7 912	7 406
Electricity, gas, water	1 307	1 463	1 730	1 511	1 353	1 680	2 336	2 271	2 433
Transport and communications	2 089	2 500	2 822	2 410	2 846	3 150	3 994	4 354	4 403
Dwellings	2 400	2 495	2 933	3 370	3 728	4 705	6 482	6 385	7 399
Other	2 099	1 981	2 499	2 937	3 163	3 554	4 101	4 520	4 276
Public administration		1 935	2 705	2 678	2 493	2 620	2 921	3 307	3 723
Enterprises		11 913	13 246	13 909	16 050	19 711	23 565	24 400	24 749
	<i>1963 prices</i>								
TOTAL GROSS DOMESTIC FIXED ASSET FORMATION	13 764	13 915	15 951	16 671	18 417	21 619	22 863	23 538	23 703
Residential construction	2 510	2 493	2 933	3 409	3 764	4 659	5 503	5 413	6 166
Other construction	5 806	6 325	7 732	7 545	8 654	10 717	8 042	8 694	9 071
Equipment	5 448	5 097	5 286	5 717	5 999	6 243	9 318	9 431	8 466
Agriculture, forestry and fishing	1 156	1 173	1 365	1 420	1 371	1 438	1 653	1 843	2 083
Mining and quarrying	163	205	94	35	78	84	79	47	28
Manufacturing and construction	4 411	4 088	4 508	4 901	5 873	7 308	6 603	6 748	6 159
Electricity, gas, water	1 310	1 464	1 730	1 525	1 360	1 651	2 001	1 930	2 027
Transport and communications	2 106	2 509	2 822	2 432	2 833	3 049	3 469	3 707	3 668
Dwellings	2 510	2 493	2 933	3 409	3 764	4 659	5 503	5 413	6 166
Other	2 108	1 983	2 499	2 949	3 138	3 430	3 555	3 850	1 269
Public administration		1 940	2 705	2 693	2 493	2 573	2 493	2 805	3 103
Enterprises		11 975	13 246	13 978	15 924	19 046	20 370	20 733	20 600

Source : Portuguese submission to the OECD.

Table D Agricultural Production

	Unit	Average 1953- 1962	1963	1964	1965	1966	1967	1968	1969
Cereal production									
Wheat	100 tons	6 332	5 920	4 719	6 123	3 120	6 372	7 475	3 820
Rye, barley and oats		3 547	3 757	2 805	3 799	2 569	3 591	4 222	3 150
Maize		4 760	5 234	5 965	4 586	5 647	5 768	5 479	5 470
Rice		1 613	1 663	1 814	1 388	1 540	1 460	1 490	1 750
Potatoes and vegetables									
Potatoes		10 540	11 448	11 434	8 880	9 233	12 957	10 831	10 820
Broad beans, French beans, chick-peas		1 081	1 272	1 182	937	1 054	1 165	1 123	940
Wine	1 000 hl	10 745	12 979	13 595	14 749	8 928	9 740	11 690	7 636
Olive oil		918	1 084	450	788	414	879	581	684
Cattle slaughtered	tons	88 642	101 412	90 720	110 245	122 666	102 119	127 098	146 262
Horned cattle		38 766	45 987	42 594	57 566	61 063	50 319	58 535	72 574
Sheep and goats		11 509	13 212	11 269	11 516	12 107	12 257	14 331	12 893
Hogs		38 367	42 213	36 857	41 163	49 496	39 543	54 232	60 795
Fish landings		312 870	363 953	417 074	404 596	360 875	400 484	355 794	
<i>of which</i> : sardine		120 044	118 312	163 294	137 762	124 830	114 696	79 526	
cod		69 388	82 621	75 920	71 280	71 217	97 312		

Sources: Annual Reports of the Bank of Portugal; National Institute of Statistics, Food and Agricultural Statistics.

Table E Industrial Production
Seasonally adjusted indices, 1963 = 100

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
MONTHLY INDICES										
January	82.8	94.9	99.5	96.2	105.8	111.5	120.0	116.7	122.0	137.5
February	84.7	93.8	98.4	97.7	100.8	115.5	121.3	114.6	122.2	138.0
March	85.6	100.0	93.9	98.5	102.5	112.0	126.1	116.2	124.3	135.9
April	87.8	99.2	93.5	99.8	107.1	115.8	128.4	117.5	122.0	133.8
May	86.2	98.0	95.6	100.5	106.5	113.6	124.0	112.5	125.7	135.0
June	88.7	96.1	100.3	97.4	112.1	111.0	119.6	126.1	121.4	138.0
July	90.2	95.4	97.5	97.9	111.6	114.7	117.7	116.3	123.0	130.0
August	91.5	92.0	98.5	98.8	108.0	113.8	120.2	116.8	121.4	128.0
September	91.4	95.7	96.8	102.8	108.7	113.3	115.4	119.8	129.7	141.7
October	91.9	96.7	93.9	102.3	111.3	113.8	115.1	122.8	127.3	138.4
November	85.5	93.4	97.1	101.9	114.4	114.0	115.6	121.4	124.6	132.6
December	91.7	94.5	94.3	108.4	112.7	123.0	115.8	115.7	131.6	135.7
ANNUAL AVERAGE ¹	88.4	95.5	96.4	100.0	108.6	114.2	119.7	117.8	124.9	135.2
ANNUAL INDICES ²	80.0	87.6	92.4	100.0	111.7	118.6	126.9	133.8		

1 The Annual average was obtained from non seasonally adjusted indices.

2 Annual indices have a wider coverage than the monthly indices.

Sources: Portuguese Industrial Association; OECD, Industrial Production Statistics and Main Economic Indicators.

Table F Prices and Wages
Indices, 1963 = 100

	1961	1962	1963	1964	1965	1966	1967	1968	1969
Consumer prices									
Lisbon	95.5	98.1	100.0	103.4	107.0	112.4	118.6	125.8	136.9
Porto	96.0	98.2	100.0	103.4	107.9	115.7	120.8	128.2	141.2
Coimbra	95.6	98.6	100.0	102.3	105.5	111.7	114.4	121.0	130.8
Evora	95.0	96.1	100.0	103.7	106.5	112.8	118.1	123.2	130.1
Viseu	96.9	98.6	100.0	101.8	106.8	114.3	118.0	123.2	128.9
Faro	97.7	100.2	100.0	102.1	115.1	127.5	133.1	140.6	149.9
Wholesale prices (Lisbon)	98.3	99.2	100.0	100.8	104.2	108.3	112.5	116.7	120.8
Manufactured products	99.1	102.8	100.0	100.9	102.8	111.2	117.8	127.8	118.7
Food products	95.5	96.4	100.0	102.7	107.1	112.5	112.5	115.2	121.4
Wages in agriculture	80.4	94.7	100.0	112.1	119.4	139.4	153.2	181.1	194.2
Wages in industry									
Lisbon	89.0	95.1	100.0	104.6	110.6	119.5	129.6	140.9	157.0
Porto	92.7	96.2	100.0	107.1	119.9	133.0	147.7	159.6	175.4

Source: Annual Reports of the Bank of Portugal.

Table G Foreign Trade by Main Commodity Groups 1960-1969
Million US dollars

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
IMPORTS, TOTAL	545.3	655.9	585.3	656.1	776.3	923.3	1 022.8	1 059.2	1 178.4	1 297.5
Food and beverages	59.8	76.4	71.2	79.6	96.8	104.9	141.8	157.1	147.4	150.7
Basic materials	160.6	179.8	171.7	206.3	224.9	264.8	235.6	256.1	283.7	305.4
Manufactures										
Chemicals	52.2	59.1	55.3	62.9	73.2	82.3	88.7	95.5	111.7	134.3
Goods classified chiefly by material	101.7	124.6	97.8	105.8	160.7	190.6	210.2	207.5	237.1	266.5
Machinery and transport equipment	141.7	196.3	168.0	177.2	189.9	250.7	311.6	303.3	352.7	386.4
Miscellaneous	16.7	16.4	15.3	16.8	22.0	29.8	34.6	39.3	45.6	53.2
Unspecified	12.1	2.9	5.9	7.5	8.9	0.2	0.3	0.3	0.2	0.2
EXPORTS, TOTAL	327.1	325.9	369.8	418.1	515.7	576.4	619.5	701.4	761.2	853.0
Food and beverages	79.6	90.7	95.0	104.5	116.4	140.4	145.2	164.9	174.8	169.9
Basic materials	67.7	59.8	67.6	66.8	75.0	78.9	82.2	81.5	108.9	128.1
Manufactures										
Chemicals	27.6	22.1	25.0	32.4	40.8	40.3	44.5	46.3	45.7	51.9
Goods classified chiefly by material	126.5	129.9	151.5	171.8	223.6	244.5	264.1	297.0	294.6	337.8
Machinery and transport equipment	9.2	10.1	10.9	13.0	16.5	20.1	26.8	35.8	44.0	60.2
Miscellaneous	11.0	11.9	15.3	24.4	36.3	44.4	49.5	66.6	83.4	93.1
Unspecified	4.9	1.0	4.6	5.4	7.1	8.0	7.2	9.2	9.8	12.0

Due to rounding, detail may not add to total.

SITC groups:

 Food and beverages: 0,1
 Basic materials: 2, 3, 4
 Manufactures: 5, 6, 7, 8
 Chemicals: 5

 Goods classified chiefly by material: 6
 Machinery and transport equipment: 7
 Miscellaneous: 8
 Unspecified: 9

Source: OECD, Foreign Trade Statistics, Series B.

Table H Structure of Portuguese Foreign Trade in 1968
Million US dollars

	USA	EEC	EFTA	Other OECD	Over- seas terri- tories	Sino- Soviet	Half indus- trialised coun- tries ¹	Other deve- loping coun- tries	Unspe- cified	World
IMPORTS, TOTAL	85.9	394.5	260.4	78.1	185.9	16.0	18.3	127.9	7.9	1 178.4
Food and beverages	16.9	8.9	11.2	20.1	58.7	8.9	2.9	9.2	7.3	147.4
Basic materials	7.2	38.1	20.7	24.3	68.0	4.4	11.3	109.6	0.3	283.7
Manufactures	61.8	347.5	228.4	33.8	59.1	2.7	4.1	9.2	0.5	747.1
Chemicals	9.1	58.7	37.8	4.8	0.1	0.1	0.4	0.6	0.2	111.7
Goods classified chiefly by material	4.8	88.1	69.7	8.3	57.3	1.5	2.7	4.5	0.2	237.1
Machinery and transport equipment	44.2	179.5	106.5	16.6	0.1	0.9	1.0	3.7	0.1	352.7
Miscellaneous	3.7	21.2	14.4	4.1	1.6	0.2	—	0.4	—	45.6
Unspecified	—	0.1	—	—	—	—	—	—	—	0.2
EXPORTS, TOTAL	80.3	126.7	253.9	36.7	187.9	7.3	14.6	51.8	2.0	761.2
Good and beverages	27.8	42.7	42.3	10.7	37.3	1.0	2.0	11.0	0.4	174.8
Basic materials	4.5	38.6	28.3	8.5	7.9	4.9	0.7	15.5	2.1	108.9
Manufactures	47.4	44.8	182.3	17.4	135.6	1.4	11.8	25.0	2.0	467.7
Chemicals	0.8	8.7	5.7	4.4	16.3	0.6	0.6	7.4	1.0	45.7
Foods classified chiefly by material	33.5	28.3	125.6	9.9	73.7	0.8	9.4	13.1	0.3	294.6
Machinery and transport equipment	6.2	3.1	8.7	2.5	20.1	—	0.4	2.4	0.7	44.0
Miscellaneous	6.9	4.7	42.2	0.7	25.5	—	1.4	2.1	—	83.4
Unspecified	0.6	0.6	1.0	0.6	7.1	—	0.1	0.4	—	9.8

NOTE: Detail may not add to total.
 For SITC groups, see Table G.

¹ Australia, New-Zealand, South-Africa, Finland.

Source: OECD, Foreign Trade Statistics, Series B and C.

Table I Monetary and Banking Statistics
Outstanding, end of period
Million escudos

	1965	1966	1967	1968	1969
<i>Liquid assets</i>					
Money supply	74 181	82 839	88 583	94 673	107 014
Currency	22 095	23 519	24 296	25 337	26 669
Demand deposits	52 086	59 320	64 287	69 336	80 345
Quasi-money (time deposits)	19 325	21 214	27 005	36 307	46 656
Total liquid assets	93 506	104 053	115 588	130 980	153 670
<i>Counterparts</i>					
Gold and foreign exchange reserves	32 074	35 442	40 037	44 961	47 230
IMF	449	561	561	561	561
Portfolio investment	11 237	11 703	12 701	12 918	13 927
Overseas provinces compensation account	441	326	357	445	477
Miscellaneous (Residual item)	-13 170	-14 794	-14 176	-15 080	-14 458
Banking credits	62 475	70 815	76 108	87 175	105 933
Commercial banks	41 922	48 725	54 164	63 267	78 136
CGDCP and saving banks	13 972	15 629	16 334	17 658	20 030
Bank of Portugal	6 281	6 200	5 666	5 688	7 764

NOTE: Detail may not always add to total.

Source: Annual Reports of the Bank of Portugal.

Table J/1 Balance of Payments of Escudo Area - 1960-1969
 Million US dollars

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969 ^p
Exports (fob)	422	443	460	501	640	636	688	774	849	901
Imports (fob)	528	627	609	662	823	962	1 082	1 155	1 287	1 394
Trade balance	-106	-185	-149	-161	-183	-326	-394	-381	-448	-493
Services, net					122	182	273	284	226	165
Travel					71	89	187	197	145	102
Transport					—	5	-2	-1	10	25
Insurance	93	40	113	139	-3	-	-3	-3	-5	-6
Investment income					-13	-11	-11	-9	-13	-11
Other services					67	99	102	100	89	55
Private transfers					79	109	159	212	267	399
Current balance	-13	-145	-36	-22	17	-35	38	115	45	71
Long-term capital	-9	26	119	77	100	60	107	108	106	39
Private						27	88	100	89	34
Official						33	19	8	17	5
Basic balance	-22	-119	83	55	117	25	145	223	151	110
Short-term and unrecorded	25	33	20	8	-11	59	-34	-42	-11	-25
Balance on non-monetary transactions	3	-86	103	63	106	84	111	181	140	85
Private monetary institutions	1	-6	-10	-27	9	-29	—	-39	-10	-20
Balance on official settlements	4	-92	93	36	115	55	111	142	130	65
Miscellaneous official assets and liabilities	-7	7	36	15	24	12	28	14	-1	18
Change in reserves	-3	-85	129	51	139	67	139	156	129	83
Gold	4	-109	28	26	26	53	67	56	157	20
Foreign exchange	-7	24	86	25	113	14	68	100	-28	63
Fund gold tranche position	—	—	15	—	—	—	4	—	—	—

NOTE Detail may not add due to rounding.

^p Preliminary figures.

Sources: Data on non-monetary transactions come from the Annual Reports of the Bank of Portugal, those relating to monetary transactions are drawn from BIS statistics. Data for reserves were taken from "International Financial Statistics" of the IMF. These figures may therefore vary somewhat from the ones shown in table 7 a of the text.

**Table J/2 Balance of Payments of Overseas Provinces
with non Escudo Countries 1964-1969**
Million US dollars

	1964	1965	1966	1967	1968	1969 ^p
Exports (fob)	242	195	204	235	266	267
Imports (fob)	209	222	255	281	328	385
Trade balance	33	-27	-51	-46	-62	-118
Services, net	98	119	129	128	142	124
Travel	3	7	8	9	8	9
Transport	37	47	47	49	51	68
Insurance	—	—	—	—	—	—
Investment income	-7	-5	-6	-7	-7	-6
Other services	65	70	80	77	90	53
Private transfers, net	-1	—	1	2	5	5
Current balance	129	92	79	85	83	10
Long-term capital	1	-6	-8	-10	-5	33
Private	1	-6	-8	-5	-5	33
Official	—	—	—	-6	—	—
Basic balance	130	86	71	75	78	43
Short-term capital	3	—	1	-1	-1	1

NOTE Due to rounding, detail may not add to total.

^p Preliminary figures.

Source: Bank of Portugal Annual Reports.

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