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EXCHANGE RATES IN TERMS OF U.S. DOLLARS

ETHIOPIA	-	dollar	=	$0.4025
LEBANON	-	pound	=	$0.31
PAKISTAN	-	rupee	=	$0.21
INDIA	-	rupee	=	$0.21
CEYLON	-	rupee	=	$0.21
BURMA	-	kyat	=	$0.21
THAILAND	-	baht	=	$0.049
JAPAN	-	yen	=	$0.0028

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THE IMPACT OF THE SUEZ CANAL CRISIS ON THE ECONOMIES OF ASIA AND THE MIDDLE EAST

While a definitive evaluation of the effect of the Suez crisis on the economic situation of Asiatic and Middle Eastern countries obviously cannot be made as yet, it is useful to make at least a preliminary appraisal of this impact.

In making this assessment a distinction must be drawn between (1) the effects of the temporary closure of the Suez Canal and (2) the more lasting economic implications of the political repercussions of the crisis. As to the first, the substantial aggravation of the world-wide shipping shortage already evident before the Suez crisis has produced a sharp rise in freight rates, delayed the arrivals of imports and the shipment of exports and affected production, particularly of Middle East oil. The balance of payments and the development programs of many countries are being adversely affected although in sharply varying degrees. As to the second, it is evident that the Anglo-French military intervention in Egypt has hastened the rupture of the economic and military ties between Britain and Jordan, thus compounding the uncertainties besetting Jordan's future, has further strengthened xenophobic pan-Arab sentiment and has pushed a number of Arab countries into greater military and economic dependence on the Soviet Union which is generally credited in the Middle East as the decisive influence in precipitating the Anglo-French withdrawal from Egypt. The ultimate economic consequences of these political developments are as yet virtually impossible to appraise.

Reopening the Canal

How lasting the effect on world shipping will be depends, of course, on the time required to re-open the Suez Canal. A reliable prognosis can hardly be made pending General Wheeler's findings on the magnitude of the clearance task. The Dutch-Danish combine of Smit-Svitzers which has been commissioned by the United Nations to clear the Canal is now mobilizing its salvage equipment. Meanwhile, Anglo-French clearance operations have made considerable progress. An entrance to the Canal through the harbor of Port Said has been cleared, and the Canal itself, which is 160 kilometers long, can now be used for a distance of 35 kilometers by vessels of 10,000 tons. Most estimates seem to agree that there are 11 "effective" obstacles, including two blown-up bridges, in the remaining portion of the Canal. If a satisfactory arrangement can be made for the use of at least some of the British salvage ships by the UN, it seems likely that the whole Canal could be made accessible to vessels of 10,000-15,000 tons by early March. This might mean a resumption of around 50-60% of the previous traffic, taking into account the longer transit time that will probably be required until the Canal is fully rehabilitated. Complete restoration of traffic might well require half a year or more.

The Shipping Shortage

The additional demand for tonnage created by the diversion of Suez Canal shipping to routes around the Cape or other alternative routes has

been substantial. For Persian Gulf oil the route around the Cape to northwestern Europe probably averages about 75% longer, so that it would take about 350 extra tankers of 15,000 d.w.t. each (i.e. a total of 5,250,000 d.w.t. in relation to a world tanker fleet of 43.2 million) to divert the entire amount of 75 million tons of oil that has been moving through the Canal annually. This is exclusive of the additional tanker tonnage that would be required to obtain from other sources the annual output of 25 million tons previously exported from Northern Iraq to the East Mediterranean via the IPC pipelines which have been blown up in Syria.

For the dry-cargo ships which have been using the Canal (4.5 million deadweight tons in 1955) the use of alternative shipping routes would probably involve journeys averaging between one-quarter and one-third longer. On this basis the additional demand for dry-cargo shipping would be 1 to 1.5 million tons. Although this increase is proportionately much less in relation to the world dry-cargo tonnage (probably less than 2%) than in the case of tankers, it has occurred at a time when there was already a sharp rise in the demand for ships to carry U.S. surplus agricultural commodities to Asia as well as U.S. coal to Europe. Moreover, the trade of certain Asiatic countries such as India and Pakistan have been much more affected by the lengthening of shipping routes than others. For example, the mileage between Bombay and North Sea ports is about 60% greater around the Cape than through the Canal. Taking into account, however, the Canal dues which no longer have to be paid and other factors affecting cost such as turnaround time in ports, the actual rise in the cost of transport falls considerably short of the increase in mileage.

Reduction in Middle East Oil Output

The inability of the world tanker fleet to cope with the consequences of the closure of the Canal has brought about a sharp reduction in Middle East oil output. By the beginning of December production, which had been running at an annual level of around 185 million tons, had fallen by almost 50%, although production is now recovering rather rapidly as the re-deployment of tankers around the Cape becomes effective, and may ultimately be stabilized at around 70-75% of previous levels, at least as long as the Canal remains closed. Iraq and Kuwait, with cutbacks of 75%, are suffering most heavily; and in Saudi Arabia the reduction has been approximately one-third. The decline in oil production has resulted in a corresponding reduction in oil revenues equivalent to around 35% of the total current foreign exchange revenues of the Middle Eastern countries; and it has brought in its wake unemployment which has substantially increased political unrest and anti-foreign sentiment already accentuated by the Anglo-French intervention in Egypt.

Rise in Freight Rates

The effect of the shipping shortage on freight rates has been most marked in the case of spot tankers, somewhat less so for dry-cargo tramps and least for liners. Spot tanker rates have risen about 90-110% in the

Caribbean and the UK-Gulf trades. While such increases are not applicable to about five-sixths of the world's tankers, which are on long-term charter or owned by major oil companies, the cost of operating these tankers has been significantly affected by their diversion around the Cape, involving an estimated increase in cost of about 40%, or their transfer to the trans-Atlantic oil trade. Since most Asiatic countries draw their oil from near-by sources, they will be much less affected by the higher cost of transport than Western Europe.

Freight rates on dry-cargo tramps, which carry most of the world trade in bulky commodities such as grain, ores and coal, have risen well above the boom levels prevailing during the Korean war. There has been a wide variation in the amount of increase on various trade routes, depending on such special factors as the availability of return cargoes and the like. The sharpest increases have taken place in the rates on trans-Atlantic coal shipments (40 to 50%) and on shipments of ores from India to Europe (50 to 60%). On the average, however, tramp freight rates have probably not risen more than about 25% since the closure of the Canal. Of particular importance to India and Pakistan has been the rise of about $4.50 and $5.50 per ton (ca. 20%) in the cost of grain shipments from the U.S. West Coast since last June. 1/ This increase affects a current monthly volume of around 70,000 tons to Pakistan and almost 200,000 tons to India.

Liner cargo services to countries east of the Suez have so far imposed only a 15% surcharge on their basic rates, but they are generally expected shortly to announce a 15% increase in the basic rate to compensate for a long-term rise in operating costs which has been accentuated but not caused by the Suez crisis. This would make the total increase since the middle of 1956 a little over 30%.

Although some experts anticipate a further rise in tramp rates early next year, the impending activation of a considerable number of ships from the reserve fleet of the U.S. should exercise a stabilizing influence. So far the Federal Maritime Board has released 30 ships for the coal trade to Europe and 30 ships for the grain trade to India. Commissioning of the first lot has been delayed by a labor dispute, but 12 of the second lot have apparently already started operating. In addition the Board has disposed of its remaining 12 laid-up tankers, each of 16,400 d.w.t. Some 40-60 more dry-cargo vessels may be released. By no means all of these, however, are available to bridge the shipping deficit caused by the Suez crisis; a considerable part will be required to handle the heavier movements of grain and coal.

Commodity Prices

While all Asiatic countries will for some time be paying higher freight charges in foreign exchange on their imports, they appear to be

1/ India and Pakistan pay half of the foreign exchange costs of freight on U.S. surplus commodities.

able at least temporarily to shift all or most of the additional freight cost on their exports to their customers. U.K. spot prices of many raw materials exported by Asiatic countries have risen markedly since the nationalization of the Suez Canal and in most cases particularly since the Canal has been closed. Some of the price increases as of December 10 are set forth below:

	Since Nationalization of Suez Canal	Since Closing of Suez Canal
Tin	7%	0
Copra (Straits)	11%	7%
Desiccated Coconut	29%	20%
Groundnut Oil	32%	34%
Rubber	21%	18%
Tea (Indian plain)	95%	60%
Jute Mill Firsts	43%	18%

Factors other than Suez have probably had some influence on these price movements, although most raw materials declined in price during the first half of 1956. While the increase in U.K. prices has not been fully reflected in price movements in the exporting countries, prices there have also gone up. The general war scare engendered by the Suez crisis has evidently been a much greater factor than the shortage of shipping in driving up prices. Now that the danger of war has largely disappeared, the price trends in these commodities may be rather quickly reversed, particularly in the exporting countries where the shortage of shipping may gradually result in some accumulation of stocks. Some commodities such as tin and rubber have already declined from their post-Suez peak. It should be mentioned also that the f.o.b. price of Middle East oil, which now suffers from a competitive disadvantage in Europe in relation to Western Hemisphere crude, has not increased, although fuel oil prices f.o.b. Persian Gulf and Indonesian refineries have been raised slightly.

The rise in the cost-price level in Western European supplying countries resulting directly and indirectly from the Suez crisis may eventually affect the cost of imports of countries in Asia and the Middle East much more than the direct increase in freight rates on their imports. In other words, Asia and the Middle East may indirectly have to pay some part of the increased import bill of Western Europe and also of Japan. The impact of the higher landed cost of imports of fuels and raw materials on the price structures of the supplying countries may not be very great in view of the fact that freight is an important element in the import cost of only relatively few commodities such as oil, coal, grain, jute, ores and certain metals (lead and zinc); yet, together with the indirect effect of the whole Suez crisis on the economies of Western Europe, particularly the United Kingdom, it will further stimulate the rise in export prices already developing before the Suez crisis and may in the aggregate increase the import bill of Asia and the Middle East significantly.

The impact of Suez on the principal countries of the area which are members of the Bank may now be briefly and very tentatively characterized:

Middle East

1. Egypt - Most adversely affected as the result of the loss of canal revenues, damage inflicted by military operations and the general stagnation of the economy resulting from the temporary but virtually total cessation of foreign trade, the departure or internment of many foreigners who played an important role in industry and trade, and the sequestration of British and French property. Severe shortage of petroleum output on Sinai peninsula (which accounted for one-third of 2 million ton output) and inability of Rumania and Soviet Union who were supplying considerable quantities of crude to make deliveries to government refinery at Suez, southern end of the Canal. Possible that Shell-owned oilfields and Shell refinery at Suez may also have stopped operations.

2. Jordan - Impact of shipping shortage not significant. Suez conflict, strengthening pan-Arab and anti-British sentiment, has hastened decision to abrogate Jordanian-British alliance of 1948 and thus get rid not only of three British bases in Jordan but also of British subsidies to Arab Legion and Jordanian economy amounting to £ 12 million a year. This decision, announced by Premier Suleiman Nabulsi on November 27, is still theoretically contingent on Syria, Egypt and Saudi Arabia making good their earlier offers to replace British aid; but British in any event are unlikely to renew subsidies next year. Since British payments covered one-third of the total cost of imported goods and services, the repercussions on the Jordanian economy may be serious. However, Jordan may still be able to obtain Arab subsidies, despite deterioration of economic conditions in Egypt, Syria and Saudi Arabia, by playing Iraq off against the Nasser bloc of Arab countries.

3. Lebanon - While shipping crisis will have no pronounced effect, indirect losses may be suffered for a time as the result of declines in transit traffic and deterioration in economic conditions in other Arab countries. The closing of the IPC pipeline to Tripoli entails a small reduction in government revenues.

4. Iraq - For the moment severely affected by the 75% reduction in petroleum production and revenues, which is likely to last longer than in other producing countries because of the time required to reconstruct the IPC pipelines through Syria where two pumping stations were destroyed and a third severely damaged. With construction of by-passes around Syrian pumping stations and the use of mobile pumps, it may be possible to resume a third of annual pipeline flow of 26 million tons in about three months, but full replacement of pumping installations will probably require 9-12 months. Impact on development program, however, by no means as serious as above indicates since Development Board apparently has unspent balances of around £ 45,000,000 as compared with current annual expenditure of not over £ 70,000,000 and may be able to borrow from central bank against accumulated foreign reserves amounting to £ 126 million at the end of August. Uncertainty

regarding eventual restoration of pipelines may nevertheless cause government to slow up its expenditures. Meanwhile, Suez conflict has stimulated pan-Arab and anti-foreign sentiment and political unrest which may seriously weaken present pro-Western government and perhaps ultimately endanger the position of the predominantly British-managed Iraq Petroleum Company.

5. Syria - Loss of pipeline revenues amounting to about $18 million a year, together with apparently substantial commitments undertaken for arms deliveries by Iron Curtain countries, has put the country under considerable financial strain. Expenditures on development are reported to have been sharply curtailed for the time being. Suez crisis has pushed the country further into anti-Western camp and appears to have put the government under domination of a leftist Army clique.

6. Iran - Least affected of oil-producing countries because consortium obligated until end 1957 to produce and purchase minimum quantities of petroleum. Although this obligation conditioned by "force majeure" clause, latter unlikely to be invoked by consortium. So far cutback in production only about 10%, with Iran now supplying in large part Bahrein refineries cut off from Saudi Arabian oil by order of Saudi Arabian government. Shipping crisis will, however, probably make consortium reluctant to accede to Iranian desires to lift output and exports beyond minima.

India and Pakistan

Most dependent of all non-oil producers in Asia on Suez Canal, with probably over 60% of India's imports and exports and between 50% and 60% of Pakistan's foreign trade normally going through the Canal. Substantial lengthening of shipping routes and attendant shipping delays likely to slow up development programs temporarily, though India likely to suffer less in this respect than Pakistan in view of probable accumulation of substantial inventories following recent Indian import boom. Higher freight charges on grain and other imports together with higher export prices charged by supplying countries likely to raise import prices by 5% at the very minimum. Still uncertain, however, to what extent higher foreign exchange outlays may be offset for some time by higher foreign exchange earnings for tea and jute, but maintenance of present high tea prices in particular seems unlikely.

Southeast Asia

Burma, Thailand, Indonesia and Ceylon less affected by closing of Canal than India and Pakistan. For all, however, the cost of imports will go up. In the case of Indonesia and Ceylon this may be offset by strengthening of rubber, tea and vegetable oil prices, although at the same time export volumes may be restricted by shipping shortages.

Japan - Costs of producing iron and steel, machinery and ships will be increased by substantially higher freights on rather large import volume of coking coal and ores, but under present conditions increased cost can

presumably be passed on to Japan's customers. Japan, still a net importer of freight services, particularly tramp freights, will have somewhat larger deficit on transport account, but this is likely to be insignificant in relation to total foreign exchange income and expenditures. With Suez Canal closed Japan is in a more favorable position than Western Europe to supply south and southeast Asia, but the boom conditions already prevailing in the economy may make it difficult to capitalize on this advantage. Japanese shipyards, however, will undoubtedly receive substantially larger orders even though already booked to capacity several years ahead.

ETHIOPIA

Despite a slight decline in export earnings, the economic situation has remained generally stable; and prospects for 1957 appear on the whole favorable.

The fall in the volume of coffee exports, which are estimated at 25-30,000 tons for 1956 as compared with 42,000 tons in 1955, was partly offset by a rise in prices. The year 1956 as a whole is expected to show a small deficit in the balance of payments on current account; for the first half of the year which is the principal export season, there was only a small surplus of Eth.$ 3 million as against one of Eth.$ 12 million during the corresponding period of 1955. The increase in the State Bank's foreign exchange holdings by Eth.$ 12 million in the first half of 1956 and by a slightly smaller amount (Eth.$ 9 million) in the first three quarters points, however, to the probability that receipts on capital account may be more than enough to cover the deficit on current account. Foreign exchange holdings of the State Bank, which at the end of September 1956 were equivalent to total imports in 1955, are in any event ample enough to permit some reduction.

Export prospects for 1957 are favorable provided the closing of the Suez Canal, through which normally more than one half of Ethiopia's foreign trade passes, is not unduly prolonged. The current coffee crop is expected to produce an exportable surplus of 50-60,000 tons. It is possible that higher shipping costs resulting from the closing of the Canal may, to some extent, affect the competitive position of Ethiopian coffee in relation to Western Hemisphere coffees.

Budget estimates for 1955/56 (fiscal year ending September 10) show a small deficit of around Eth.$ 15 million occasioned, as in the preceding year, mainly by certain non-recurring expenditures related to the celebration of the 25th anniversary of the Emperor's coronation in November 1955. The actual deficit, however, was apparently much smaller, since government deposits with the State Bank, after discounting the effect of government borrowing to an amount of Eth.$ 25 million in March 1956, remained virtually stable during the fiscal year. The budget estimates for the current fiscal year 1956/57 foresee a deficit of Eth.$ 13 million, owing principally to a proposed repayment to the U.S. of the Lend-Lease silver loan of Eth.$ 12 million.

This year the government has adopted rather important tax reforms designed not only to raise more revenues, but also to stimulate certain types of production and exports. The net increase in revenue from the tax measures is estimated at Eth.$ 10.5 million in the first year. Revised tariffs were put into effect after April 1956; and the new income tax is expected to become effective during the current fiscal year; and all other tax reforms are to be promulgated shortly.

In March 1956, Ethiopia reached an agreement with Italy on reparations in the equivalent of some US$ 16 million. Under this agreement, Italy will build a hydroelectric power station on the Awash River near

Addis Ababa, the cost of which is unofficially estimated at some US$ 12 million. The remaining reparations will be provided in the forms of ships, marine equipment, industrial machinery and other public works installations. In addition, the Government is now considering a program for the further expansion of the highway system, the modernization of the port of Assab, and the further development of aviation and telecommunications services. While the extent and cost of these projects cannot be accurately predicted as yet, the Government has borrowed, as mentioned before, from the State Bank an additional Eth.$ 25 million, in anticipation of the local currency requirements of the program.

E T H I O P I A

	1951	1952	1953	1954	1955	1956	1955 I	1955 II	1955 III	1955 IV	1956 I	1956 II	1956 III
POPULATION	About 15 million (no census has ever been taken)												
BUDGET (Eth.$ millions)1/	Results				Estimates								
Revenue	77	84	108	132	115	115							
Expenditures	98	84	85	106	129	130							
Surplus or deficit (-)	-21	0	23	26	-14	-15							
GOVT. DEPOSITS AT STATE BANK (Eth.$ millions)	22	31	65	81	66		81	77	73	66	93	94	96
GOVT. DEBT (Eth.$ millions)													
Internal	36	52	70	68	63			62		63		89	
External	20	30	24	26	31			32		31		31	
Total	56	82	94	94	94			94		94		120	
MONEY SUPPLY (Eth.$ millions)													
Currency circulation	87	93	110	118	128		137	130	124	128	142	138	132
Demand Deposits	19	27	31	27	30		23	29	31	30	30	33	
Total	106	120	141	145	158		160	159	155	158	172	171	
PRIVATE CREDIT (Eth.$ millions)2/	15	21	27	28	25					25			
PRICES (Indexes of wholesale prices, Addis Ababa, 1951 = 100)													
Coffee	100	108	97	133	89		78	80	96	102	107	109	
General exports	100	85	77	91	73		67	68	78	78	80	83	
General imports	100	94	79	76	76		76	78	74	73	72	74	
BALANCE OF PAYMENTS, current account (Eth.$ millions)													
Exports, f.o.b.	125	115	178	167	168		100				92		
Imports, f.o.b.	-87	-99	-120	-140	-148		-75				-77		
Trade balance	38	16	58	27	20		25				15		
Invisibles	-26	-20	-26	-19	-27		-13				-12		
Surplus or deficit (-)	12	-4	32	8	-7		12				3		
COFFEE EXPORTS, f.o.b. 3/ (Eth.$ millions)	63	50	100	99	91		25	30	22	14			
GOLD, SILVER, & FOREIGN EXCHANGE HOLDINGS OF STATE BANK (Eth.$ millions)	63	72	113	139	151		159	162	153	151	163	163	160
(US.$ millions equivalent)	(25)	(29)	(45)	(56)	(60)		(64)	(65)	(61)	(60)	(65)	(65)	(64)

1/ Fiscal year ending September 10.
2/ Credit extended by the State Bank and the Development Bank. The private credit from the State Bank including loans and advances, bills purchased, customers liabilities on letters of credit, and accounts receivable.
3/ Quarterly figures, taken from customs statistics, are not on f.o.b. basis.

LEBANON

During the first three quarters of 1956 Lebanon continued to enjoy buoyant economic conditions. The volume of foreign trade and the manifold other international transactions in which the Lebanese specialize continued to expand although apparently at a somewhat lower rate; industrial output appears to have expanded still further; and, as indicated by building licenses issued, the remarkable construction boom in Beirut has assumed even larger dimensions. Booming business conditions have evidently produced some signs of strain as indicated by a continued sharp expansion of bank credit and apparently a virtual disappearance of the balance of payments surpluses enjoyed in recent years. It is possible, however, that the Suez crisis may have put a damper, at least for some time, on the economic boom.

While no reliable and comparable balance of payments are available for recent years and the available foreign trade figures require considerable adjustment to reflect actual payments and receipts, it is probable that imports have been rising somewhat more rapidly than exports during the last year and a half. For 1955 Lebanon's large receipts in the form of middlemen earnings, emigrant remittances and tourist revenues were evidently more than ample to bridge the normal large trade deficit. Official gold and foreign assets rose by the equivalent of about US $10 million in that year. During the first 8 months of 1956, however, these assets have remained virtually stable, probably as the result of a further rise in the trade deficit.

A continuous, rather large, expansion in money supply (18% in 1955, and 7% in the first half of 1956), indicating rising purchasing power in the economy, has been sparked by a sharp increase in bank credit. The volume of outstanding bank credit rose from LL 402 million to LL 492 million, or by 22%, in 1955, and by a further 8% in the first 8 months of 1956.

The general economic prosperity of the country has raised government revenues substantially. At the same time actual expenditures have continued to lag, so that substantial surpluses have continued to accrue to the government's reserve fund after taking into account extra-budgetary outlays. During the first 9 months of 1956, the cash balance of the Treasury rose again by LL 13.1 million to LL 93.4 million. It is quite possible, however, that this trend may gradually be reversed, particularly since the government's expenditure commitments on various capital works for the period 1956-60 already total around LL 160 million.

In the last few months the disturbed conditions engendered by the Suez crisis have probably had a dampening effect on the economy. Lebanon's prosperity is to some extent dependent on economic conditions in Syria and the oil-rich Arab countries which have at least for the time being markedly deteriorated. Lebanon's flourishing tourist trade has undoubtedly also been adversely affected.

LEBANON

	1951	1952	1953	1954	1955	1955 I	1955 II	1955 III	1955 IV	1956 I	1956 II	1956 III	1956 IV
POPULATION (million)	1,304	1,338	1,417	1,447	1,483								
NET NATIONAL PRODUCT (LL million)	1,071	1,090	1,250	1,380	1,440								
NET CAPITAL INVESTMENT (LL million)	131	150	154	165	-								
PRICES (1953 = 100)													
Wholesale prices	122	111	100	92	93	92	91	93	96	99	98	98 1/	
Cost of living	107	107	100	95	96	95	95	97	99	102	103	102 1/	
MONEY SUPPLY (LL million)													
Currency (gross)	212	205	209	246	271	247	256	268	271	274	286	296 1/	
Demand deposits	253	301	324	362	444	397	417	437	444	458	477		
Total	465	506	534	608	715	644	673	705	715	733	763		
TIME DEPOSITS IN BANKS (LL million)	6	12	19	27	39	29	28	35	39	39	39		
BANK CREDIT OUTSTANDING (LL million)	318	356	357	402	492						529 2/		
PUBLIC BUDGET (LL million) 3/													
Receipts		161	163	177	197								
Expenditures		-127	-139	-131	-160								
Balance		+34	+24	+46	+37								
GOLD AND FOREIGN ASSETS B.S.L. AND GOVERNMENT (US $ million)													
Gold	26.3	30.6	34.7	63.1	73.7	63.1	66.7	66.7	73.7	73.7	73.7	73.7 1/	
Foreign exchange	13.2	11.6	20.5	13.0	12.8	15.8	14.4	18.8	12.8	12.4	13.6	12.7 1/	
(of which French francs)	(12.0)	(10.9)	(12.8)	(11.6)	(10.1)	(11.4)	(10.8)	(10.6)	(10.1)	(9.3)	(8.9)	(8.2) 1/	
Total	39.5	42.2	55.2	76.1	86.5	78.9	81.1	85.5	86.5	86.1	87.3	86.4 1/	

1/ August
2/ Provisional estimate for May
3/ Including extra-budgetary expenditures

PAKISTAN

The general improvement in the country's balance of payments in the year following the devaluation of the rupee (July 1955) received a temporary setback with the re-emergence of a substantial food deficit this year. It now appears probable, however, that prospective foodgrain import requirements over the next few years will be met almost wholly from U.S. surplus stocks against payment in rupees. This should give Pakistan added confidence in proceeding with its first Five Year Plan which, although not yet officially adopted, is already providing the guide lines for government action.

The immediate effects of devaluation appear on the whole to have been favorable. The competitive position of Pakistan's new industries has been considerably improved, and the overall volume of exports has increased significantly, reversing the downward trend in export earnings which had been evident in the four years preceding devaluation. In terms of dollars, export receipts increased by 10% in the year ending June 30, 1956 as compared to the preceding year. Sizeable increases have taken place in a variety of Pakistan's smaller exports such as sport goods and surgical instruments. More important is the growth of exports from the new jute manufacturing industry and the beginning of exports of cotton yarn and coarse cotton cloth. The favorable development of the two major exports - raw jute and raw cotton - demonstrates Pakistan's increased flexibility in meeting changes in world market conditions. Thus despite a decline in the average world market prices for both commodities, particularly raw cotton, the rupee prices rose and the export volume of raw jute increased by 14% and of raw cotton by about 9%. The rupee price index for all exports increased by 32% between the quarter preceding devaluation (second quarter 1955) and the second quarter 1956. (If world prices had remained unchanged, export and import prices in terms of rupees would have shown an increase of 44% as a result of devaluation.) Devaluation has had little visible effect as yet on the volume of imports, despite a rise of 53% in the rupee price index of imports, because severe restrictions on the issue of import licenses have been continued. The volume of imports financed from Pakistan's own resources was lower in 1955/56 than in 1954/55, but this reduction was somewhat more than offset by increased arrivals financed under various foreign aid programs (particularly the U.S. program). As a result of the rise in export receipts and the continued restriction of imports, Pakistan's gold, dollar, and sterling holdings increased by 44% from the equivalent of $204 million at the time of devaluation (July 31, 1955) to $293 million at the end of June 1956. The holdings declined to $267 million by the end of September 1956 due mainly to the seasonal falling-off in export earnings and emergency foodgrain purchases.

During the period when the foreign exchange reserves were rising the Government incurred a substantial cash deficit to meet increased defense and development outlays. The combination of the accumulation of foreign exchange and the budget deficit were the main factors which led to a sharp increase in the money supply of about Rs. 800 million, or 20%, in the fiscal year ending March 31, 1956. Roughly 50% of the increase was due to the rise in foreign exchange reserves, 35% to the budget deficit and 15% to an increase in bank credit to the private sector. The latter increase does not appear excessive, particularly in view of the substantial rise in the rupee value of foreign trade which followed devaluation. While the money supply has declined somewhat from the peak reached in the spring of 1956, the experience in the fiscal year 1955/56 points to the need for greater efforts to coordinate fiscal, monetary and trade policies. As a result of the

sharp increase in the money supply following devaluation, as well as the increases which occurred prior to devaluation, a substantial monetary "overhang" in all probability exists in the economy at present which will take some time to work itself out. The achievement and maintenance of monetary stability is therefore especially urgent in Pakistan.

It is difficult to obtain a clear picture of the behavior of internal prices because of lack of data. In general prices of most imported goods appear so far to have increased by less than the full amount of devaluation. Prices had risen considerably before devaluation, and since then increases have been restrained by increased arrivals of foreign aid imports, increased production of import substitutes, and price controls. The same factors have operated to keep price increases in domestic goods within modest limits. A major exception to this general pattern, however, has been in prices of foodgrains which rose sharply in the spring of 1956 and, with some fluctuations, remained high through the summer. Increases in rice prices in East Pakistan were particularly severe. The price pressure resulting from shortages of supplies was most likely increased as a result of the sharp rise in money incomes since devaluation.

The rather poor crop in 1955/56, together with a very small carry-over, has resulted in a shortage of foodgrains tentatively estimated at about 1.5 million tons for the year. The wheat shortage in West Pakistan is estimated at about 700,000 tons and the rice shortage in East Pakistan probably somewhat higher. Procurement arrangements thus far known to have been concluded provide for the import of nearly 600,000 tons each of wheat and rice and additional amounts are being arranged. Pakistan is reported to have spent some $30 million in foreign exchange on these imports, but the bulk of them have been arranged through grants and rupee payments. By late November 1956, rice prices in East Pakistan, while still relatively high, were reported declining as supplies from the harvest of the main 1956/57 rice crop reached the market. It is too early to obtain reliable information on the size of this crop. The next wheat crop will not be harvested until spring. The Government has concluded that foodgrain imports may be necessary annually during the next few years and accordingly it has requested the United States Government to supply, on grant or rupee payment terms, three million tons of foodgrains (half wheat and half rice) during the next three years. Of the total, two million tons would be for current consumption and one million tons for the constitution of a reserve stock to meet emergencies. It is generally expected that the U.S. will in the main accede to Pakistan's request.

Meanwhile Pakistan's first integrated Five Year Plan, published in May 1956 and covering the period from April 1955 to March 1960, is still under discussion. Revisions (which are not expected to result in basic alterations to the draft Plan) should be completed in the near future, and it is expected that the Plan will then be formally approved by the newly established National Economic Council. Meanwhile, the development effort is proceeding generally along the lines laid down in the Plan. The Bank mission which visited Pakistan last summer concluded that the Plan was on the whole well balanced and suited to Pakistan's needs but that the achievement of the investment and production targets would probably require longer than the time allotted by the Plan - perhaps six to seven years instead of five years. It seems likely that national income may increase during the Plan period by about 15% (or about twice as rapidly as population) instead of the 20% estimated in the Plan. The Plan assigns first priority to agriculture and proposes

a program which, after several years, should eliminate the need for imports of foodgrains. The current serious foodgrain position lends emphasis to the need for implementing the Plan's agricultural recommendations within the shortest possible time.

The current fiscal year ending March 31, 1957 should reflect a more stable financial situation than last year. The Government should receive substantial sums as counterpart of recent foodgrain grants which were not anticipated in the budget estimates. Thus the amount of deficit financing should be considerably reduced, since there appears at present no reason to expect any sharp increase in budget expenditures. The immediate foreign exchange outlook is more difficult to assess, particularly in view of the Suez Crisis. Fragmentary data indicate some increase in the prices of Pakistan's exports since the closing of the canal. It seems likely, however, that the volume of exports will be adversely affected by shipping difficulties, which may result in an accumulation of stocks and a reaction in export prices. The volume of imports may also be reduced as a result of shipping difficulties, but c.i.f. prices may rise considerably due to the recent sharp increases in freight rates and the impact of the Suez Crisis on the price structure of supplying countries. In view of these factors, and taking into account the purchases of foodgrains which have already been made, the accumulation of foreign exchange reserves, if any, in the current year is likely to be much smaller than that which took place in 1955/56. With less deficit financing and more stability in foreign exchange reserves, the rate of increase in money supply should be substantially reduced as compared to last year.

PAKISTAN

	1951	1952	1953	1954	1955	1955 I	1955 II	1955 III	1955 IV	1956 I	1956 II	1956 III
POPULATION (million)	78.1	79.3	80.4	81.6	82.8							
NATIONAL INCOME AT FACTOR COST (billion rupees) 1/	18.2	18.3	18.9	18.9								
AGRICULTURAL PRODUCTION (000 tons) 2/												
Rice	7,756	8,151	9,151	8,405	8,169 3/							
Wheat	2,972	2,390	3,683	3,172	3,100 4/							
Cotton	295	339	256	295	310							
Jute	1,131	1,218	645	832	998 3/							
INDUSTRIAL PRODUCTION												
Cotton Cloth (million yds)	128	174	252	345	453	106	102	113	133			
Cotton Yarn (million lbs) 5/	19	20	53	100	154	32	38	40	44			
Jute Mfrs. (000 tons)	1 1/	18 1/	50 1/	53	89	22	22	21	24			
GOVERNMENT BUDGET (million rupees) 1/												
Ordinary Revenue	1,450	1,286	1,125	1,157	1,277 3/							
Expenditure	1,692	2,093	1,849	1,775	2,367 3/							
(Development Outlay)	(297)	(378)	(482)	(544)	(836) 3/							
Excess of Expenditure	242	808	724	618	1,090 3/							
INTERNAL PUBLIC DEBT (million rupees) 6/	n.a.	n.a.	1,859	2,224		2,258	2,330	2,180	2,126	2,151	2,310 3/	
GOVERNMENT BALANCE WITH STATE BANK (million rupees) 7/	582	377	216	173	152	258	107	237	152	178	250	359
COMMERCIAL BANK PRIVATE CREDIT (million rupees) 7/	919	792	802	984	1,183	1,048	904	902	1,183	1,168	936	988
MONEY SUPPLY (million rupees) 7/	3,761	3,228	3,578	3,859	4,542	3,933	3,979	4,124	4,542	4,730	4,673	4,563
PRICES - KARACHI COST OF LIVING INDEX (1953 = 100) 8/	88	90	100	98	94	95	92	95	95	96	96	
BALANCE OF PAYMENTS, CURRENT ACCOUNT (million rupees)												
Receipts	2,878	1,916	1,551	1,275	1,757	389	373	397	598	666	444	
Raw Jute	(1,226)	(729)	(579)	(556)	(774)	(198)	(128)	(154)	(294)	(318)	(161)	
Raw Cotton	(1,092	(807)	(683)	(370)	(431)	(91)	(133)	(93)	(114)	(155)	(116)	
Payments	2,361	2,767	1,428	1,437	1,460	322	322	381	435	476	463	
Surplus (+) or Deficit (-)	+517	-851	+123	-162	+297	+67	+51	+16	+163	+190	- 19	
Errors and Omissions	+2	-14	-2	0	0	0	0	0	0	0	0	
TERMS OF TRADE (1953 = 100) 8/	166	139	100	108	98	115	108	98	82	87	91	
STATE BANK GOLD, DOLLAR AND STERLING RESERVES (million rupees) 7/	1,482	606	689	631	1,156	677	696	1,001	1,156	1,348	1,395	1,271
(million U.S. dollar equiv.)	(448)	(185)	(208)	(191)	(243)	(205)	(210)	(210)	(243)	(283)	(293)	(267)

1/ Year beginning April 1
2/ Crop years beginning in year indicated
3/ Provisional
4/ Estimate
5/ Surplus to mills' own consumption
6/ Central and Provincial Government debt held by banking system, end of period.
7/ End of period
8/ Average for period

INDIA

The rapid rise in government expenditures on development during the past twelve months, coupled apparently with a boom in private investment and the building up of inventories, has put severe pressure on India's external balance of payments, and her official foreign exchange reserves have fallen sharply from Rs. 8.64 billion at the end of March to Rs. 6.54 billion at the end of November. Balance of payments estimates are not available beyond July, but it is clear that much the greater part of the foreign exchange deficit (possibly over three-quarters) has been due to a rise in expenditure on imports. The rest has probably been mainly due to a reduction in export earnings, though short-term capital movements may also have contributed, particularly in the last two months when India's balance of payments may have been affected by loss of confidence in sterling.

Comparing the second and third quarters of 1956 with the corresponding period of 1955, the customs returns record a very large increase in the value of imports of iron and steel, together with substantial, though smaller, increases for machinery, vehicles, non-ferrous metals, chemicals and petroleum. The customs returns do not, however, give a complete picture of imports, since they refer to the actual arrival of goods and not to payments made; moreover, certain types of imports (notably foodgrains, petroleum and military equipment) are not fully recorded at the time of their arrival. Thus, while imports as recorded by the customs in April-July this year were 18% (Rs. 450 million) higher than in the same months of 1955, payments for imports as shown in the balance of payments were 35% (Rs. 800 million) higher. Part of the difference can probably be explained by an increase in progress payments on overseas orders for railway equipment and other capital goods, while part may be due to an increase in unrecorded imports of foodgrains, petroleum and military equipment.

While imports have risen, exports have fallen, their recorded value in the second and third quarters of 1956 being 6% (Rs. 190 million) less than in the same period of 1955. Tea exports were up by Rs. 50 million in spite of lower prices, but this gain was more than offset by decreases for jute and cotton textiles. The fall in jute exports was wholly accounted for by lower prices, but in the case of cotton textiles there was a fall in the quantities exported, no doubt largely due to the pressure of home demand. Other exports which declined in value were vegetable oils and raw cotton.

There are no reliable up-to-date indices of import and export prices, but there can be little doubt that India's terms of trade in the second and third quarters of 1956 were appreciably worse than a year before. Prices of tea and jute textile exports were both lower, while prices of imported steel and machinery have increased significantly during the past twelve months.

Data on invisible transactions and receipts of foreign aid are too incomplete for any reliable indication to be given of recent trends. It appears, however, that net invisible receipts in April-July this year were substantially higher than in the corresponding period of 1955. Receipts of official grants and loans from abroad in the April-June quarter at about Rs. 140 million were nearly Rs. 50 million higher than a year before. Capital transactions do not appear to have been a major factor contributing to the deficit in the period for which detailed estimates are available. The reduction in commercial bank advances from London during the summer was, however, rather larger this year than last in spite of the fact that the seasonal contraction in bank credit in India was smaller than usual; this may be explained by the rise in interest rates in the United Kingdom.

Pressure on the balance of payments was accompanied during the summer by a sharp rise in wholesale prices, particularly foodgrains, but this rise was checked during September, and prices remained steady in October. The steadying of prices was associated with a contraction of money supply from Rs. 21.84 billion at the end of March to Rs. 21.07 billion at the end of September - a fall of Rs. 770 million, as against an increase of Rs. 330 million during the same period last year. This contraction was attributable to the decline in the foreign assets of the Reserve Bank which more than offset the expansionary effects on money supply of continued deficit financing by the Government. The amount of deficit financing during this period was, however, less than in the previous six months.

The use of foreign exchange reserves thus provided an escape valve for the inflationary pressures generated by large investment expenditures and helped to moderate the pressure on internal prices, which had been aggravated by a decline in domestic production of foodgrains and restrictions on mill output of cotton cloth. It appears, however, that the rise in wholesale prices was resumed in November, when the index (admittedly not a very reliable indicator) rose by a further 3% during the first three weeks of the month. The situation cannot therefore yet be regarded as stable, and the inescapable need to restrict imports in future in order to conserve foreign exchange increases the risk of further price increases.

On the other hand, there are a number of favorable influences at work which should make for greater stability in future. Industrial production has gone on rising, the index for the first six months of 1956 being 9% higher than in the same period of 1955; this year's good monsoon augurs well for agricultural production; and the surplus commodity agreement with the United States should be of great value in helping to cover the foreign exchange deficit, in providing internal finance for the development program and generally in reducing the risk of inflation. Mention may also be made in this context of the new public loans which have been successfully floated by the Central and State Governments in recent months.

The amount raised by these loans, net of redemptions, is about Rs. 1.4 billion. A substantial part of this sum appears, however, to have been found at least temporarily from within the banking system, and the immediate disinflationary effect of the loans will be correspondingly reduced.

As further steps to stem inflation and to increase government revenues the Finance Minister has recently proposed a number of tax increases. In September the excise duty on mill cloth was raised steeply, the increase being expected to bring in an additional Rs. 175 million during the remainder of the current financial year ending next March. Then on November 30 a supplementary Budget was introduced in Parliament providing for the following main tax changes:

(a) An increase in the tax paid by companies on dividends above 6%.

(b) Higher import duties on certain goods now being manufactured on an increasing scale in India (e.g., coal tar dyes and some kinds of machinery) - also on rayon yarn and various luxury items (e.g. wines and spirits, clocks and watches, motor cycles and scooters); in addition, the excise duties on large cars and rayon yarn made in India are to be increased.

(c) The reintroduction, subject to various modifications, of the tax on capital gains which was previously operative in 1946 and 1947.

These tax increases are expected to yield an additional Rs. 160 million in a full year;* only a very small proportion of this, however, will be forthcoming during the current financial year since the changes in company tax and the reintroduction of the capital gains tax will not have any effect on the revenues until 1957/58. The November Budget also included a complicated provision under which the development rebates and depreciation allowances to which companies are at present entitled will be withdrawn unless companies deposit with the Government a certain proportion of their current and accumulated profits; interest would be paid by the Government on such deposits, and they would be returnable to the company if required to finance investment approved by the Government. The object of this measure is to ensure that retained profits are not "frittered away", but are "put to uses which promote industrial development in accordance with the Plan".

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* The target for additional taxation to be raised by Central and State Governments under the Second Five-Year Plan is Rs. 8,500 million, or an average of Rs. 1,700 million a year. Tax increases introduced last spring amounted to around Rs. 500 million a year, so that with the latest increases it appears that nearly half the target has so far been achieved.

The closing of the Suez Canal is likely to have a marked impact on the Indian economy. In the short run it must lead to some delays in the arrival of imports and thus slow down the progress of development; the cost of imports is likely to be increased, and while the reaction on export prices may be favorable, exports too may be temporarily handicapped by shipping difficulties. Fortunately, shipments of foodgrains to India should not be too seriously affected by the crisis. Most of the United States shipments are made from the Pacific Coast, and additional ships to handle these cargoes are being released from the U.S. "mothball fleet". The first shipments of wheat under P.L. 480 have already reached India and others are on their way; these supplies can be supplemented by wheat from Australia and rice from Burma.

There can be little doubt that development expenditures will have to be restrained if the drain on India's foreign exchange reserves is to be stopped and a reasonable degree of internal financial stability maintained. The Government is already taking steps to limit its future commitments, and the indications are that import restrictions will be tightened up in the New Year. The rate at which development can safely go forward must depend, first, on the amount of external financial assistance available and, second, on the success of measures to increase India's exports. Receipts of external assistance in recent months appear to have been comparatively small; but there is substantial aid in the pipeline, and this should make an increasing contribution towards covering the external deficit. The recent progress of exports has, however, been discouraging, and a more fundamental reappraisal of policies affecting exports (e.g., restrictions on cloth output and on exports of vegetable oils) appears to be long overdue. The external financial position is the key factor which will need to be taken into account in the framing of next February's budget and in setting the pattern for development in 1957/58.

It should be noted in conclusion that a sharp increase in deficit financing took place in October when the money supply rose by Rs. 130 million in spite of a fall of Rs. 328 million in foreign exchange reserves. This development adds point to the statement of the Indian Finance Minister on November 30 that "the extent of deficit financing has, from now on, to be progressively reduced if prices are to be prevented from going up further and creating fresh difficulties through increased pressures for higher wages and increased costs all round".

INDIA

(All figures in Rs. billion except where otherwise stated)

	1951	1952	1953	1954	1955	1954		1955				1956		
						III	IV	I	II	III	IV	I	II	III
Population (million)	362	367	372	377	383									
National Output														
Net national product at factor cost														
- at current prices 1/	99.7	98.2	104.9	99.1	n.a.									
- at 1948/49 prices 1/	91.0	94.6	100.4	101.7	n.a.									
Agricultural production (1950=100) 2/	96	97	102	114	116	116				114				n.a.
Industrial production (1951 = 100)	100	104	106	113	122	115	119	122	128	128	126	130	142	n.a.
Prices														
Wholesale prices (1938/39 = 100)	439	387	394	388	355	382	375	360	343	355	363	380	393	416
Consumer prices (1949 = 100)	105	103	106	101	96	101	99	95	93	96	98	98	104	109
Currency and Banking 3/														
Money supply with public	17.7	16.8	17.1	18.3	20.5	17.6	18.3	19.2	19.8	19.5	20.5	21.8	21.9	21.1
Treasury Bills outstanding	3.33	3.35	3.46	3.50	4.60	3.47	3.50	4.72	5.13	4.41	4.60	5.95	6.43	5.79
Central Govt. deposits with Reserve Bank 4/	2.10	1.75	1.10	0.55	0.54	1.41	0.55	0.59	0.58	0.58	0.54	0.67	0.64	0.54
Scheduled Bank credit to private sector	5.43	4.68	4.61	5.38	6.36	5.25	5.38	6.23	6.10	5.93	6.36	7.61	7.57	7.54
Central Government Budget 1/														
Revenue receipts	5.15	4.35	4.16	4.41	5.02									
Current expenditures	3.87	3.96	4.07	4.02	4.89									
Capital outlay and advances to States	2.06	1.68	1.97	4.62	4.97									
Overseas Trade and Payments														
Imports (c.i.f.)	8.54	8.07	5.70	6.17	6.48	1.59	1.74	1.71	1.54	1.49	1.74	2.02	2.03	2.03
Exports (f.o.b.)	7.67	6.17	5.32	5.63	6.08	1.43	1.74	1.63	1.32	1.61	1.52	1.59	1.32	1.42
Terms of trade (1953 = 100) 5/	139	105	100	108	98	107	111	110	103	99	97	93	n.a.	n.a.
Official foreign exchange reserves 3/	8.99	8.24	8.41	8.49	8.53	8.49	8.49	8.48	8.34	8.38	8.53	8.64	7.99	7.33

Note: Many of the figures for recent periods are provisional estimates subject to revision.

1/ Financial year beginning April 1
2/ Crop year ending June 30 of year shown
3/ Figures relate to end of period indicated
4/ From November 1954 includes "foreign bills discounted"
5/ A rise indicates a favorable movement

C E Y L O N

No startling changes have taken place in the Ceylonese economy during the past six months, and a marked degree of internal and external financial stability has been preserved. The export boom in late 1954 and early 1955 might have been expected to exert a strongly expansionist influence on internal money supply and to lead after some delay to rising expenditure on imports. But until quite recently a number of factors have helped to keep internal demand in check. These have included: (a) a record budget surplus of Rs. 128 million achieved by the Government in 1955/56 (fiscal year ending September); (b) public borrowing by the Government and Central Bank late in 1955 and early in 1956 through loan and debenture issues amounting to about Rs. 60 million; (c) a rise of Rs. 100 million in Government cash balances during the first half of 1956 (in part associated with the receipt of Rs. 45 million from China in May in settlement of the rubber-rice trading account between the two countries); and (d) a rise in the time deposits of the private sector. As a result of these various influences the increase in money supply during the past twelve months has been limited to about 4%, while consumer prices and plantation wage rates have remained remarkably steady throughout the past two years.

On the external side the balance of payments appears to have remained in surplus through September of this year in spite of a marked deterioration in the terms of trade and a sharp increase in the volume of imports both of capital goods and consumer goods. Thus the value of imports in the third quarter was over 20% higher than in the same period of 1955. Exports on the other hand were at about the same level as a year before, an increase in volume being offset by a fall in prices. Foreign exchange reserves have gone on rising, though at a slower rate than in either of the two previous years; at the end of September they stood at Rs. 1,200 million, compared with Rs. 1,178 million at the end of March 1956 and Rs. 1,091 million at the end of September 1955.

In general therefore recent economic developments in Ceylon may be regarded as satisfactory. There seem, however, to be some indications that the situation may now be changing. The new Government, which came into power in April, is committed to a policy of increased expenditure on social services and is also proposing to play a more active part in promoting industrial development. Food subsidies were reintroduced in May at the rate of Rs. 100 million a year, and largely in consequence of this and of rising development expenditures there is now likely to be a small budget deficit in the fiscal year 1955/56; a considerably larger deficit is budgeted for 1956/57. Moreover, the high levels of government cash balances and private time deposits represent a considerable monetary overhang which could be quickly released.

In these circumstances it would not be surprising if Ceylon's balance of payments deteriorated further in the months to come. Much will depend on how Ceylon's trade is affected by the Suez crisis. Tea,

rubber and vegetable oil prices have noticeably hardened in the past few months, but Ceylon may experience difficulty in finding shipping for her exports, and the net effect on exports of the closing of the canal could well be unfavorable. At the same time a further rise in import prices appears inevitable.

The new Budget introduced in July (for the year beginning October 1956) provides for an overall deficit of Rs. 150 million. Revenue at present tax rates is expected to be rather lower than in 1955/56 because of a fall in income tax receipts, which largely reflects the lower profits made by the tea estates during the past year. To help counteract this fall the Finance Minister has proposed tax increases, notably in company taxation, which should bring in an additional Rs. 26 million a year. Even after allowing for these increases, however, revenue is expected to remain a little lower than in 1955/56. On the expenditure side the new Budget provides for outlays which are substantially above the original estimates for last year, though not so much higher than the revised estimates. The main increases compared with last year's Budget are in the provision made for food subsidies and education. Capital expenditures are projected at around their present level, but greater emphasis is to be placed in the coming year on agricultural development, especially minor irrigation works and improvements in peasant cultivation.

In his Budget speech the Finance Minister announced an important change in the Government's policy towards industrial development. The public sector is expected to play a more positive role in this field in future, and the Government intends itself to undertake all major industrial development schemes utilizing local raw materials. Proposals for new government factories include one for the processing and refining of ilmenite, another for the manufacture of fertilizers, one or two additional cement plants, cotton weaving mills and a sugar refinery. A National Planning Board has recently been appointed under the chairmanship of the Prime Minister, with members drawn from the Government and private enterprise, and an overall plan of development is being prepared with the special aim of relieving unemployment.

Finally, mention may be made of the United States-Ceylon Aid Agreement (the first of its kind) signed in Colombo last April. Under this agreement Ceylon is to receive American grant aid to the extent of Rs. 25 million during the year beginning October 1956. Of this total Rs. 9 million has been allocated for the purchase of diesel locomotives for the Government Railways, Rs. 8-1/2 million for irrigation projects and Rs. 2-3/4 million for the extension of the University of Ceylon.

CEYLON

	1951	1952	1953	1954	1955	1955 I	1955 II	1955 III	1955 IV	1956 I	1956 II	1956 III
POPULATION (million)	7.7	7.9	8.2	8.4	8.7	-	-	-	-	-	-	-
NATIONAL INCOME (Rs. billion)												
Gross National Product at factor cost	4.67	4.48	4.60	5.00	-	-	-	-	-	-	-	-
AGRICULTURAL PRODUCTION												
Index: 1951=100	100	107	97	110	-	-	-	-	-	-	-	-
PRICES												
Cost of Living: 1938-39=100	283	281	286	284	282	283	283	280	282	282	279	-
MONEY SUPPLY (Rs. million)1/ (with the public)												
Currency	377	357	335	342	381	343	349	376	385	385	409	-
Demand Deposits	629	539	492	615	692	611	570	636	688	664	647	-
Total	1,006	896	827	957	1,073	954	919	1,012	1,073	1,048	1,056	1,065
GOVERNMENT BUDGET (Rs. million)2/3/												
Revenue	910	975	952	1,032	1,176	-	-	-	-	-	-	-
Expenditure	958	1,232	1,184	999	1,049	-	-	-	-	-	-	-
Deficit or Surplus	-48	-257	-232	+34	+128	85	31	-65	-6	36	17	-
PUBLIC DEBT (Rs. million) 1/2/ (net of sinking funds)												
External	73	73	66	126	141	133	136	141	140	140	143	-
Internal	502	729	926	826	753	791	765	753	758	805	805	-
Held by Central Bank	3	130	216	84	19	18	20	19	18	37	17	-
GOVERNMENT CASH BALANCES (Rs. million)	139	66	51	49	-	177	187	116	115	197	215	-
COMMERCIAL BANK CREDIT (Rs. million) 1/4/	257	241	253	307	324	348	320	352	324	328	379	-
FOREIGN TRADE (Rs. million)												
Exports	1,904	1,502	1,568	1,809	1,940	534	417	448	540	409	433	457
Imports	1,559	1,702	1,608	1,397	1,461	356	368	347	389	380	373	424
Balance	345	-200	-40	412	479	178	49	201	151	29	60	33
Tea Exports	800	723	825	1,123	1,194	359	257	279	301	257	269	-
TERMS OF TRADE												
1948=100	151	109	122	155	160	179	146	139	148	137	134	-
EXTERNAL ASSETS (Rs. million)1/	1,185	837	607	895	1,155	1,020	1,034	1,091	1,155	1,177	1,185	1,195

1/ End of period
2/ Annual figures refer to fiscal year beginning October 1 of preceding year
3/ Quarterly data not exactly comparable with yearly data
4/ Loans and advances

BURMA

During the fiscal year ending September 1956, Burma made considerable progress in overcoming the difficulties resulting from excessive public investment and falling rice prices. During the first half of that year, foreign assets rose by K 185 million, owing to the combined effects of some improvement in export earnings, the continuation of severe foreign exchange restrictions, a drawing of K 74.1 million on the IMF and a drop in debt repayments. Money supply increased by about K 174 million more than foreign assets (discounting the IMF drawing, which did not affect money supply), due primarily to the continued expansion of bank credit to the Government and the private sector. In the second half of the year, the Government was able to relax import restrictions, which was presumably instrumental in reducing the rise in foreign exchange reserves to K 49 million. At the same time, the reduction in government investment was apparently beginning to take effect, and receipts of U.S. surplus commodities and Japanese reparations were beginning to provide some relief. Little government borrowing from the banking system proved necessary. As a result of all these factors, money supply during the second half of the fiscal year remained virtually stable. Encouraging features for the year as a whole were the substantial increase in the volume of rice exports from 1.67 million tons in 1954/55 to an estimated 1.95 million tons, and, particularly, the marked recovery in exports of minerals and teak.

For the fiscal year 1955/56, GNP at market prices is estimated at K 5.0 billion, 4.6% above the preceding fiscal year. However, the estimated rise at constant prices was only 3%, against 5.5% during 1954/55. Production gains during 1955/56 were achieved in agriculture, forestry and mining only. In industry, progress in completing projects (e.g. a pharmaceutical plant, two sugar mills, a jute mill, a tile and brick factory, and a steel mill based on scrap) continued to be slow, although partial rehabilitation of the Syriam refinery is nearing completion. Transport was hampered by a shortage of rolling stocks in railways. Installed electric generating capacity increased from about 42,000 kw to approximately 69,000 kw.

The average production gain in agriculture between 1954/55 and 1955/56 was 4%. While paddy production (occupying 60% of total acreage) rose only slightly, considerable increases occured in the production of groundnuts, pulses and sugar cane. Teak production was stepped up by 34%, and petroleum production by 11%. Improved security conditions resulted in markedly higher output of lead, zinc, tungsten and silver.

The production gains in teak and mining were the principal reasons for an increase in export earnings from K 440 million during the first half of 1955, to K 550 million during the first six months of 1956. A 15% decline in the average rice export price was partly offset by an increase in export volume, facilitated by a 30% reduction in stocks. When formulating the 1955/56 import policy, the Government had hoped to mitigate the severe restrictions on current imports by imports under foreign aid and reparations. K 100 million worth of U.S. surplus commodities, mainly from cotton manufactures, and K 130 million worth of Japanese reparation goods, were expected to come in during 1955/56; however, under both transactions, only

K 60 million arrived, as the Government was too slow in making the required administrative arrangements. Restrictions on current imports were eased after foreign exchange reserves had gone up from a low of K 416 million in September 1955 to K 701 million in March 1956. At the end of September 1956, they amounted to K 750 million.

According to revised estimates, the fiscal year 1955/56 ended with a budget deficit of around K 250 million, about half the deficit of the preceding year. Current revenues and current expenditures (excluding defense) remained unchanged; but defense expenditure went up by 13%, and amounted to about a third of total expenditures. Current revenues fell short of total non-investment expenditure by K 135 million, or 15%. The cash surplus of boards and corporations decreased from K 248 million to K 225 million, caused by the drop in rice export prices, and only partly offset by the higher volume of rice exports. With the K 135 million deficit in the non-development part of the budget, only 40%, or K 90 million, of the reduced cash surplus was available for public investment. The minimum investment necessitated by previous commitments was still K 400 million, or one third of the total expenditure, as against K 500 million in 1954/55. When preparing the budget, the Government had hoped to finance investment chiefly by utilizing (1) the Indian K 200 million loan concluded in 1955, (2) K 100 million proceeds from the sale of U.S. surplus commodities, and (3) K 130 million Japanese reparation payments. As the Government proved hesitant in drawing on the Indian loan and as receipts from surplus commodities and reparations fell below expectations, resort had to be made to internal borrowing, particularly in the first half of the year.

During the fiscal year 1955/56, internal government debt went up by K 242 million; of this amount, very little could be placed with the private sector (which holds less than 10% of total debt, mostly in the form of postal savings). During the same period, bank credit to the private sector increased seasonally by K 26 million, foreign exchange reserves rose by K 134 million, (not taking into account an additional increase of about K 100 million from the IMF drawing and increased credits on barter account), while government cash balances increased by K 115 million. As a result, money supply went up from K 1,116 million to about K 1,400 million. Consumer prices in Rangoon increased by 18% between September 1955 and June 1956 and then remained stable.

As to the outlook for 1956/57, rice exports are planned to exceed the 1955/56 volume slightly, due to continued drawing on old stocks. Rice prices have recently been firm, and average quality of rice exports should improve because of a gradual depletion of old stocks of broken rice. Of the rice export program, 20% or 400,000 tons are on barter account. The brightening prospects for the rice exports have initiated a debate in the Cabinet as to whether the barter countries should be asked to settle for 190,000 tons only.

The Prime Minister and the Finance Minister have recently stated that the Government has taken past experience to heart and intends to live within the country's resources. The budget estimates for 1956/57 show an overall deficit of K 100 million, K 140 million less than the 1955/56 revised estimates. The budget forecasts an increase in current revenue by

15%, mainly because of higher collections of customs and excise duties resulting from the relaxation of import restrictions. Due principally to increased profits from rice exports, the cash surplus of boards and corporations is projected to be 7% above 1955/56. Receipts from reparations and capital receipts, including U.S. surplus commodity transactions, are expected to more than triple, as the initial administrative difficulties have been overcome. No increase is forecast for defense expenditure, but increased police and social welfare activities will cause current non-defense expenditure to go up by 20%. Investment expenditure is projected to rise to K 490 million, or almost the level of 1954/55, although past experience indicates that this target will probably not be reached. If the deficit proved to be only K 100 million, overall financial and economic stability should be maintained, particularly with further economic growth and a relaxation of import controls. While the Suez crisis may affect the cost of imports to some extent, there may also be a lag in import arrivals.

BURMA

	1951	1952	1953	1954	1955	1956	1955 I	1955 II	1955 III	1955 IV	1956 I	1956 II	1956 III	1956 IV
POPULATION (million)	18.7	18.9	19.0	19.2	19.4	19.6*	-	-	-	-	-	-	-	-
NATIONAL INCOME (K billion) 1/														
Gross National Product at market prices	3.68	4.08	4.62	4.59	4.79	5.01*	-	-	-	-	-	-	-	-
RICE PRODUCTION (million tons)														
Rice and Products	4.63	5.03	4.70	4.63	4.78	4.84*	-	-	-	-	-	-	-	-
PRICES														
Consumer's Price Index: 1941 = 100	354	338	334	311	317	361	293	300	343	335	334	377*	377*	-
MONEY SUPPLY 2/														
With the Public (K million)	606	635	780	859	1,124	-	1,028	1,039	1,116	1,124	1,392	1,372	1,400*	-
CONSOLIDATED GOVERNMENT BUDGET (K million) 1/ 3/														
Receipts	681	701	956	864	980	1,022	-	-	-	-	-	-	-	-
Expenditure	473	645	903	1,245	1,471	1,269	-	-	-	-	-	-	-	-
Surplus or Deficit	+208	+ 56	+ 53	-381	-491	-247	-	-	-	-	-	-	-	-
GOVERNMENT CASH BALANCES (K million) 2/														
(incl. State Boards)	432	572	478	336	252	-	171	265	225	252	173	279	340*	-
INTERNAL PUBLIC DEBT (K million) 2/														
Total	218	257	299	707	1,055*	-	840	948	928	1,055	1,108	1,109	1,170*	-
Held by Union Bank	156	162	150	389	652	-	452	576	576	652	767	756	775	-
COMMERCIAL BANKS CREDIT TO PRIVATE SECTOR (K million) 2/	159	162	148	163	190	-	195	176	172	190	275	235	198	-
FOREIGN TRADE														
Terms of Trade 1/														
1952 = 100	88	89	122	105	95	-	-	-	-	-	-	-	-	-
Rice Exports														
million tons 1/	1.37	1.15	1.20	1.27	1.67	1.95*	-	-	-	-	-	-	-	-
million K 4/	758	809	848	953	826	-	218	276	117	214	224	-	-	-
Exchange Transactions (K million)														
Exports	963	1,153	1,219	989	1,016	-	229	214	261	312	----551----		-	-
Imports	658	778	952	1,097	931	-	253	238	218	222	----408----		-	-
Balance of Trade	+305	+375	+367	-108	+ 85	-	- 24	- 24	+ 43	+ 90	---+143----		-	-
Balance of Non-trade Transactions	- 92	-174	-288	-286	-209	-	+ 89	- 56	- 62	- 52	-- - 23----		-	-
Change in Foreign Exchange Reserves	+213	+201	+ 79	-394	-124	-	+ 65	- 78	- 19	+ 38	-- +120----		+ 76	-
FOREIGN EXCHANGE RESERVES (K million)	792	993	1,072	678	554	-	613	535	516	554	701	674	750*	-

* Provisional estimate.
1/ Annual figures refer to fiscal year beginning October of preceding year.
2/ End of period.
3/ Net of current receipts and expenditures of commercial departments; does not include net change in internal public debt; revised estimates for 1955/56.
4/ Prior to 1953, data refer to fiscal year beginning October 1 of preceding year.

THAILAND

On the whole, 1956 has been a period of relative stability for the Thai economy.

Money supply increased slightly during the first quarter and remained stable thereafter. Prices were generally stable. The official cost of living index, however, increased slightly, mainly because of the continued increase in the price of a type of fish included in the index with a high weight; other prices were stable.

Preliminary figures indicate that current budget receipts and expenditures were roughly in balance. The internal public debt increased by about Baht 320 million during the first 10 months of 1956 chiefly on account of investment expenditures.

Exports in 1956 were slightly lower than in 1955. Despite a somewhat better crop, it was not possible to export as high a volume of rice as last year, when a large carry-over was still available from the 1953-54 bumper crop. Moreover, the price of rice, rubber and tin continued to decline during most of 1956; recent firming up of prices, particularly in the case of tin, came too late to affect appreciably the value of exports for the year. In contrast with exports, imports for 1956 are estimated to be about 10% higher than in 1955, reflecting the increased delivery of machinery and equipment.

As a result of this divergent movement of exports and imports during 1956, a deficit of about $30 million on recorded trade is expected over the whole year. A substantial part of this deficit, however, will be offset by unrecorded exports, mainly rice smuggled to Malaya. Taking invisibles into account, an over-all deficit on current payments of about $40 million is expected. With foreign aid and Japanese reparations amounting to $31 million for the year, the over-all balance of payments will show only a small deficit. By the end of October, the official foreign assets were actually $9 million higher than at the beginning of the year, but there was report of a decline in the foreign exchange holdings of traders and commercial banks.

The increase in foreign indebtedness was mostly in the form of suppliers' credits, which further increased by $12.5 million during the first half of 1956. By the middle of 1956, total suppliers' credits outstanding accounted for 45% of the total external debt.

Prospects for 1957 appear favorable, provided the volume of exports is not too greatly restricted by shipping shortages. The current rice harvest is reported to be nearly as high as in 1953-54, giving an exportable surplus of 1.6 million tons, of which 1.4 million tons is expected to be sold without too much difficulty. With further increases also expected in the exportable production of rubber, and with the possibility of more favorable prices, exports in 1957 should exceed their level of 1956. The balance of payments is therefore not likely to create a problem in the coming year.

THAILAND

	1951	1952	1953	1954	1955	1956	1955 I	1955 II	1955 III	1955 IV	1956 I	1956 II	1956 III	1956 IV
Population (million)	18.8	19.2	19.6	19.9	20.3	20.7								
National Income (billion baht)														
Net Domestic Income at factor cost	25.0	25.9	29.7	28.6	32.8*	n.a.								
Output of Principal Products (thousand tons)														
Rice (Paddy) 8/	7,320	6,600	8,240	5,710	6,800	7,900*								
Rubber	110	100	100	120	120									
Tin 2/	9.5	9.4	10.1	13.6	13.5		2.5	2.5	3.0	3.5	3.0	2.8	3.3*	
Prices 1/														
Cost of Living in Bangkok 1953 = 100	82	90	100	99	107		103	106	105	107	109	112	113	
Money Supply (billion baht) 1/														
(With the Public)	4.91	4.93	5.44	6.06	6.92		6.48	6.62	7.18	6.92	7.01	6.80*		
Government Budget (billion baht) 2/														
Revenue	2.52	3.34	3.93	4.24	4.37		.93	1.11	1.09	1.21	1.26	1.32	1.23	
Expenditure	3.23	4.27	5.57	4.93	4.98		1.15	1.35	1.32	1.11	1.22	1.25	1.21	
Deficit - or Surplus +	-.71	-.93	-1.64	-.75	-.61		-.22	-.24	-.23	+.10	+.04	+.07	-.02	
Foreign Exchange Profits of the Bank of Thailand and the Government	.43	.65	.58	.73	.22		.08 3/	-.07 3/	.04 3/	.17 3/	.08	-.05	-.05	
Internal Public Debt 1/ 4/ 2/ (billion baht)	1.73	2.59	4.88	6.26	5.81		6.36	6.34	5.25 7/	5.34	5.61	6.16	5.79	
External Public Debt (Disbursed) 5/ (in million US $ equivalents)	12.1	19.7	26.5	49.4	70.6	75.0*	n.a.	53.2	n.a.	70.6	n.a.	69.8	n.a.	
Government Cash Balances (million baht)	753	841	1,221	974	1,110		944	982	1,063	1,110	1,390			
Commercial Banks Credit (billion baht)	.94	1.44	1.98	2.28	3.00		2.61	2.60	2.90	3.00	3.20*			
Foreign Trade (million US $)														
Imports	272	304	336	312	334	354*	72	76	82	104	96	90	89*	
Exports	367	329	323	283	335	323*	85	84	82	85	83	78	78*	
Balance	95	25	-13	-29	1	-31*	13	8	-	-19	-13	-12	-11*	
Rice Exports (million US $)	198	216	214	146	148	130*	41	47	33	27	32	36	35*	
(thousand tons)	1,577	1,425	1,341	1,004	1,221	1,150*	346	381	290	231	291	330*	280*	
Rubber Exports (million US $)	98	50	38	44	84		20	17	25	23	22	15	14*	
(thousand tons)	110	99	97	113	115		34	30	37	31	35	29*	28*	
Tin Exports (million US $)	24	23	20	18	21		5	4	5	6	6	5	7*	
(thousand tons)	12.5	12.9	14.2	13.9	15.7		3.9	3.4	3.8	4.6	4.1	3.7*	4.5*	
Unit Value of Exports (in terms of US $) 1953 = 100	104	102	100	93	88		85	87	88	91	83	79		
Foreign Exchange Reserves 6/ Bank of Thailand (million US $ including gold)	359	352	302	273	297		294	315	298	297	308	307	307	

* Provisional Estimates.
1/ End of period.
2/ Quarterly figures based on less complete information than animal figures.
3/ Profits of the Bank of Thailand only. III and IV quarter data adjusted by eliminating ฿ 250.1 million charge to Stabilization Account to retire BOT foreign currency debt to Government.
4/ Held largely by the Bank of Thailand.
5/ Does not include payments for the settlement of war damage claims.
6/ Excluding frozen sterling assets.
7/ Revaluation of foreign assets partly applied against government's debt to the Bank of Thailand.
8/ Refers to crop years beginning in year stated.

JAPAN

The record achievement of the Japanese economy during the last fiscal year (ending March 1956) has been sustained. Industrial production has continued to increase, although the rate of increase has slowed down since the beginning of the current year. The index of industrial production, based on the pre-war average (1934-36 = 100), passed the 200 mark in March and reached 224 in September. The growth of the economy as a whole during the last eighteen months - probably about 10 per cent per annum - has exceeded expectations and the figures of the official five year plan, 1956-60, have been revised accordingly. Imports and exports, as well as foreign exchange holdings, have set new post-war records in 1956.

The rice harvest this year was well above average, being exceeded only by that of last year, which was the highest on record. Good weather was no doubt minaly responsible for this result, but it is considered in Japan that some of the credit may be given to a permanent improvement in methods of rice production. Rice imports were 21 per cent less in the first six months of 1956 than in the corresponding period of 1955, and there will be little need for Japan to import rice for some months to come. A reserve of $63 million for rice has been made in the import budget for the second half of the current fiscal year, and limited quantities may in fact be bought abroad. If so, it will be largely in order not to jeopardize the sale of Japanese goods to rice-exporting countries. The need for wheat imports has also been reduced by the good rice crop.

Japan's international balance of payments for the first half of the fiscal year (April - September) showed a surplus of $132 million. This is $101 million less than in the corresponding period of the previous year, the decline being due to a sharp increase of imports. Both exports and imports were substantially higher than in the first half of 1955-56, but while export receipts increased by $239 million (24.5 per cent) to $1,217 million, payments on account of imports increased by $300 million (31.5 per cent) to $1,251 million. There was thus a small adverse balance of trade, in contrast to the previous fiscal year which showed a small surplus. On the basis of customs figures, the adverse balance was rather larger.

On the export side, all the main items did better than in the same period of the previous year, except metal and metal products which declined owing to competition from the domestic market. Vessels, artificial fibre products, fish and cement made notable gains. On the import side, the increases were largely in industrial raw materials required to meet the expansion of production. Imports of scrap-iron were 160 per cent higher than in the corresponding period of last year; iron ores, non-ferrous metal ores, petroleum and textile raw materials were 50 per cent higher. Imports of foodstuffs declined.

The favorable balance of receipts and payments as a whole continues to depend upon U.S. dollar expenditures and procurement in Japan. This item of receipts, amounting to almost $300 million in the half year, was actually some $16 million higher than in the same period of 1955-56. Invisible trade payments, on the other hand, were also higher by $87 million, largely on account of increased freight charges. The net balance of invisibles was $166 million for the half year.

The outlook for the balance of payments in the second half of the fiscal year (October - March) is uncertain, but the Government is forecasting a surplus. There has been a marked increase in the import budget for the half year, designed to sustain the growth of production and to prevent the emergency of inflationary forces in an economy that is showing signs of over-extension. The import licencing system has also been further liberalized, and "global" allocations - which permit the importer to purchase in the market of his own choice - now amount to 89 per cent of the total budget. On the basis of past experience it seems likely that actual imports will fall well short of the import budget, although they will almost certainly exceed exports by a considerable margin. Rising world freight rates resulting from the closing of the Suez canal will probably increase the foreign exchange cost of imports to some extent, but this may well be offset by a rise in the proceeds of Japanese exports to S.E. Asia stemming from the same cause.

Japan's reserves of gold and foreign exchange, official and other, amounted to more than $1.5 billion at the end of September. Within the total, U.S. dollars amounted to $1,165 million and sterling to $137 million equivalent. The sterling reserves are less than half what they were at the beginning of the fiscal year, owing to steadily rising imports from the sterling area. There is some concern in Japan that the total may have fallen below the level needed to finance trade, and if this view prevails it may affect the pattern of Japan's trade in the coming period.

The high level of industrial activity enabled the economy to absorb more than 1,400,000 additional persons into employment during the twelve months ended August. This accounted for the whole of the net addition to the labour force during the period, as well as some 400-500,000 women not previously at work. The figure of completely unemployed persons fell to 570,000 in August, a record low level, although there is still a large reservoir of disguised unemployed. Much of the increased employment has occurred in small-scale industry and in the retail trades, in both of which wages are low. Nevertheless, there has been a substantial rise in personal incomes; this represents a real improvement in the standard of living, since retail prices have remained stable. Personal spending has lagged behind the rise in incomes and savings have therefore been high.

Wholesale prices have risen 5-6 per cent since the end of last year, the most important single factor being the sharp increase in iron and steel prices. Further increases in wholesale prices may be expected owing to the shortage of certain key industrial raw materials, especially iron and steel, the pressure on productive capacity generally, and the rise in freight rates. So far, the consumer sector has not been affected.

Despite the fact that the Treasury ran a surplus of ¥148 billion in its transactions with the public, even after taking into account excess disbursements for the acquisition of foreign exchange, money supply increased slightly during the first months of the year. Booming economic conditions created a greater demand for credit, and bank loans and investments rose by about ¥600 billion or 18 per cent in the first three quarters of 1956. At the same time, however, there was a rise of approximately ¥350 billion in time deposits. Money has generally become tighter, and although there has been no rise in interest rates,

both the market discount rate and the industrial rate have become stable after falling steadily for some months.

Within Japan, developments during the remainder of the fiscal year are expected to resolve current doubts about the future course of industrial and credit policy. The Bank of Japan and the influential Economic Planning Board incline to the view that the present rate of growth of the economy is excessive. The unexpectedly sharp rise in industrial production is straining the capacity of the basic industries and creating a shortage not only of iron and steel and other materials but of electric power and transportation. Despite an increase in railroad hauls, for example, the back-log of freight at railroad stations has been about one million tons since the beginning of the year. On the other hand, certain industries, notably textiles but also to some extent cement, radio products, plastics and gasoline, are showing signs of over-production. The Bank of Japan and the Planning Board argue that this lack of balance should be corrected, not by stepping up investment in the basic industries, but by cutting back elsewhere. They point to the fact that the investment boom has been created mainly by the high level of world demand for Japan's exports; it is therefore more vulnerable than the corresponding boom in the United States and other western countries where its origins are largely domestic. This view, however, is not universally held in Japan and there is strong pressure in some quarters for a more flexible attitude towards industrial re-equipment and expansion. In these circumstances, the appointment of a new Prime Minister and a new Governor of the Bank of Japan may result in a relaxation of the present rather stringent credit policy.

JAPAN

	1951	1952	1953	1954	1955	1955 I	1955 II	1955 III	1955 IV	1956 I	1956 II	1956 III
POPULATION (millions)												
(as of October)	84.6	85.9	87.0	88.3	88.9						(August)	90.1
GROSS NATIONAL PRODUCT (billions of yen)												
(for year beginning April)	5,541	6,182	7,130	7,424	8,189							
INDEX OF REAL INCOME PER CAPITA												
(year beginning April)												
1934-36 = 100	88.1	98.1	105.9	105.4	112.2					129.7		
INDUSTRIAL PRODUCTION												
(year or last month of quarter)												
1934-36 = 100	114.4	126.4	155.1	166.9	180.7	164.3	175.4	183.1	191.5	200.1	215.4	223.8
MANUFACTURING PRODUCTION												
1953 = 100	72	80	100	109	119	107	115	120	126	126	142	148
RICE PADDY PRODUCTION												
(thousand metric tons)	11,302	12,404	10,298	11,392	14,810							
WHOLESALE PRICES												
(end of period)												
1953 = 100	97	100	100	99	98	98	97	97	98	99	101	104
COST OF LIVING (end of period)												
1953 = 100	89	93	100	105	104	104	105	103	104	104	106	105
MONEY SUPPLY (billions of yen)												
(end of period)												
Currency and Deposits with public	1,048	1,265	1,439	1,463	1,698	1,285	1,369	1,327	1,698	1,547	1,642	1,711
CENTRAL GOVERNMENT TREASURY TRANSACTIONS WITH PUBLIC (billions of yen)(- excess payments)												
Balance for fiscal year beginning April or for calendar year quarter												
a. Including foreign exchange transactions	37.1	-0.7	63.6	-191.2	-285.8	102.5	-33.4	-58.5	-298.4	104.5	9.4	34
b. Excluding foreign exchange transactions	98.6	17.9	-66.2	-116.8	-115.9	126.6	-2.0	-7.3	-245.8	139.3	18.8	36
BANK LOANS AND DEPOSITS (billions of yen)												
(end of period)												
Loans and Investments (non-government)	1,415	1,981	2,502	2,752		2,774	2,818	2,898	3,309	3,400	3,580	3,902
Time Deposits	667	1,031	1,336	1,588		1,673	1,726	1,836	2,089	2,193	2,294	2,446
Government Deposits with Banks	33	93	84	84		238	150	175	166	254	176	195
VALUE OF TRADE (millions of U.S. $)												
Imports c.i.f.	1,995	2,028	2,410	2,399	2,473	576	646	591	659	692	807	824
Exports f.o.b.	1,358	1,273	1,275	1,629	1,969	433	460	512	607	560	601	620
Balance	-637	-755	-1,134	-770	-504	-143	-186	-79	-52	-132	-206	-204
VOLUME OF TRADE (1953 = 100)												
Exports	89	89	100	131	162	142	148	163	195	193	203	
Imports	65	73	100	103	107	102	109	101	115	122	141	
TERMS OF TRADE (1953 = 100)	92	97	100	101	102	99	100	101	103	101	102	
PRINCIPAL EXPORTS												
Cotton fabrics												
Value (millions of U.S. $)	310	180	179	252	230	49	50	58	73	74	55	56*
Quantity (million sq. yards)	1,078	762	914	1,278	1,138	252	246	279	362	363	260	257*
Machinery & Transport equipment												
Value (millions of U.S. $)	108	116	189	202	247	43	55	56	83	91	116	94*
Iron and Steel												
Value (millions of U.S. $)	205	263	140	167	259	57	51	69	74	58	59	62*
Quantity (thousand metric tons)	963	1,633	843	1,187	1,989	505	493	495	496	362	356	312*
Rayon fabrics												
Value (millions of U.S. $)	86	65	72	103	143	28	32	37	45	43	53	53*
Quantity (million sq. yards)	293	300	373	566	864	174	198	227	275	235	286	281*
Chemicals												
Value (millions of U.S. $)	36	40	62	79	94	22	26	20	26	27	28	28*
BALANCE OF FOREIGN EXCHANGE TRANSACTIONS												
(in millions of U.S. $)												
Total transactions	331	314	-193	100	494	82	58	175	179	124	125	6
U.S. Dollar transactions	69	188	209	-92	353	9	63	151	130	89	127	105
U.S. MILITARY EXPENDITURES AND OTHER GOVERNMENT PAYMENTS (net)												
U.S. Dollar Receipts (millions of U.S. $)	577	802	781	617	538	117	127	147	147	132	141	151
GOLD AND FOREIGN EXCHANGE (millions of U.S. $)												
End of period	-	1,165	1,017	1,130	1,469	1,182	1,214	1,357	1,469	1,558	1,593	1,577

* Provisional