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MAJOR ECONOMIC CHANGES IN 1948

Department of Economic Affairs

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PREFACE

Major Economic Changes in 1948 is the third of a series of reports dealing with world economic conditions, prepared by the Department of Economic Affairs of the United Nations. The first, *Economic Report: Salient Features of the World Economic Situation 1945-47,* was issued in January 1948; a supplement to that report, *Selected World Economic Indices,* was issued in July 1948.

The purpose of the present publication is to make generally available a preliminary review of important economic developments which occurred during 1948. It is being issued at this time in order to provide the Economic and Social Council with a useful factual background for discussion of the current world economic situation at its eighth session in February 1949. A comprehensive economic survey of the world situation will be issued towards the middle of 1949. That survey will take account both of the regional economic reports which will become available during the early months of 1949 from the secretariats of the regional economic commissions of the United Nations in Europe, Latin America and the Far East, and of the economic activities of the specialized agencies.

Part I of *Major Economic Changes in 1948* provides a broad picture of the main economic developments during the year 1948, based on data, necessarily incomplete for the year, which were available at the time the report was prepared. To supplement the general analysis, a considerable volume of detailed factual data is supplied in part II; this section of the report brings up to date the figures contained in the publication *Selected World Economic Indices,* referred to above.

The report was planned and prepared by the Division of Economic Stability and Development of the Department of Economic Affairs. Unless otherwise indicated, the statistical tables in part II of the report have been prepared by the Statistical Office of the United Nations. Reports issued by the specialized agencies were drawn upon extensively for information.

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Lake Success
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Part I

GENERAL DEVELOPMENTS

INTRODUCTION

The economic report issued in January 1948[1] stressed the continuation of critical shortages of foodstuffs during the first half of 1948 and their adverse effect on prospects for economic recovery during 1948. It also pointed out that critical bottlenecks existed in industry as a result of shortages of basic commodities, such as steel, coal and timber, which hampered efforts towards industrial recovery and reconversion. Heavy inflationary pressure within countries was paralleled by grave disequilibrium in international economic relations. The latter was generally reflected in lagging trade and, in many countries, in large import surpluses.

As a result of substantially larger harvests in the summer of 1948, the supply of foodstuffs during 1949 will be increased considerably. This is perhaps the most important economic development during the past year and, for that matter, since the end of the war. Its importance is not limited to the possibilities which it brings of raising food consumption levels and of further rehabilitating agriculture. Increased supplies of foodstuffs represent added means for reducing inflationary pressure, for expanding production generally, for increasing the volume of foreign trade and for alleviating the international payment problems of many countries.

In industry, the shortages of certain key commodities were considerably mitigated during 1948. By the autumn of 1948, industrial output in most war-devastated countries was approaching or had already exceeded pre-war levels as a result of the utilization of existing plant and man-power resources to near capacities and of increases in labour productivity. In other areas, the reconversion of industry to peace-time production had been virtually completed. In the summer of 1948, however, there were indications of a tendency of industrial production to level off in a growing number of countries; this was reflected in greater than normal seasonal declines in output in the third quarter of 1948.

Along with the rise in real national income in many countries in 1948, the proportion of national income devoted to investment appears to have been somewhat higher than in 1947. The increased supply of capital goods to meet investment requirements, which accounts for a large share of the increase in the total supply of industrial goods in 1948, may be expected to produce a larger volume of consumer goods at a later date; in the meantime, the high rates of investment continue to be an important factor in the inflationary situation. Nonetheless, because of the greater volume of agricultural and other consumer goods, inflationary pressure is not likely to be further aggravated during 1949 and may even be reduced in a number of countries.

The central problem of 1949 continues to be the necessity for expanding the world supply of goods for the growing world population. As a consequence of the diminishing importance of temporary post-war obstacles, the problems facing the world in further increasing the production of agricultural, manufacturing and mining supplies in 1949 are likely to be of a more protracted and long-term character. Most countries will find it necessary in the coming year to pay greater attention to raising productivity by rationalization of production, modernization of plant and improvement of workers' skills; and to the expansion of plant and equipment by further investment in industry and agriculture.

The contribution of many countries to the expansion of world output is also hampered by difficulties in obtaining or financing imports of needed capital equipment, whose supply is in turn restricted by the inability of other countries to obtain or finance imports of necessary raw materials.

The expansion of foreign trade is thus becoming an urgent necessity for increasing the domestic production of a growing number of countries. At

[1] United Nations Department of Economic Affairs, *Economic Report: Salient Features of the World Economic Situation 1945-47* (Lake Success, New York, January 1948).

present a significant part of the goods which must be imported by many war-devastated countries is being obtained through external financial grants. Eventually these countries must find other means to pay for necessary imports. Important changes have taken place since the end of the war, both in the direction and in the composition of trade. The tendency of under-developed countries to retain for domestic consumption a higher proportion of foodstuffs and certain raw materials is already apparent. There is also a tendency for a growing volume of the imports of certain important raw materials to be replaced by synthetic or other substitutes in some industrialized countries. In view of the rapid changes which are taking place, it is still too early, from available information, to assess the new situation which is emerging. It is clear that new trading relationships are arising or are required, because of basic changes in the internal needs of various countries, resulting from war-time developments and post-war plans. These changes appear to be of such far-reaching character that without a better understanding of what is happening in this sphere, it is becoming increasingly difficult to formulate national plans and policies and to undertake practical programmes of international action for increasing the world's supply of goods and for expanding world trade.

THE WORLD SUPPLY OF COMMODITIES

The aggregate physical volume of goods produced in the world as a whole during 1948 by factories, farms and mines is likely to be almost one-tenth above the estimated output of 1947 and nearly one-fifth above that of 1937. The increase over 1947 stems in large part from substantial gains in the production of foodstuffs, as a result of generally excellent harvests in the last half of 1948, particularly in Europe and North America. It also reflects gains in world industrial output, due mainly to the continued recovery of production in the war-devastated countries of Europe, including the Union of Soviet Socialist Republics.

Industrial Production

By the end of 1947, world industrial production had reached a level approximately one-fourth above that of 1937.[1] Industrial production outside of the United States—where 1947 output was 170 per cent of pre-war—had barely reached pre-war levels, although it was almost 20 per cent above pre-war if Germany and Japan are excluded from the comparison. The overall figures serve to emphasize the marked disparities among countries, which reflect for the most part the varying degrees of devastation and dislocation suffered directly or indirectly as a result of the war.

The countries which remained outside the active theatres of the war showed the highest levels of industrial output in relation to pre-war production; in many of these, production was expanded significantly under the stimulus of war-time requirements. This group includes not only the United States and such relatively industrialized countries as Canada, Sweden and Switzerland—in several of these, industrial output at the end of 1947 was 50 per cent or more above pre-war—but also Australia and a number of under-developed countries, particularly in Latin America. Industrial activity in the latter countries, although limited in character and relatively small in volume, was generally upwards of 25 per cent above pre-war levels.

At the other end of the scale were the occupied countries—Germany, Japan and Austria—and such countries as China and Greece, which were affected by civil disturbances. In these countries, industrial production at the end of 1947 ranged from 26 per cent of the 1937 volume in Japan, to 71 per cent in Greece.

[1] See part II for detailed data.

Industrial production in most of the remaining countries of the world ranged from 10 to 20 per cent above or below the pre-war level.

GENERAL LEVELS IN 1948

According to preliminary estimates, the rate of industrial production for the world as a whole during the first nine months of 1948 reached a level equal to about 132 per cent of that of 1937. This level represented an increase of 11 per cent over the corresponding period of 1947. The rate of industrial output during the first nine months of 1948 was, however, only four per cent above that of the last quarter of 1947. Greater than normal seasonal declines, which occurred in the third quarter of 1948 in many countries, appear to reflect some tendency of production to level off.

The bulk of the increase in world production in 1948 was accounted for by the expansion of production in the Union of Soviet Socialist Republics and in the rest of Europe, particularly in the devastated countries, including Germany. In the first nine months of 1948, world industrial production, excluding that of the United States, was 109 per cent of 1937 production and 18 per cent above the level of the corresponding period in 1947; if Germany and Japan, as well as the United States, are excluded, output was 127 per cent of the 1937 level.

As a result of the increase in European production, disparities in the geographic distribution of world industrial production in 1948, compared with pre-war, were somewhat less marked than in the preceding year.

Production continued at high levels and even increased slightly in the United States and in relatively industrialized countries outside of Europe which were not devastated by the war. Industrial activity in these countries continued to be characterized by utilization of existing plant and man-power resources to near capacities. Levels of production considerably above pre-war were also maintained during 1948 in a number of under-developed countries, particularly in certain Latin American countries whose relatively limited industrial production was considerably increased during the war. In several of these countries, there is recent evidence of some slackening of industrial activity since the peak of building activity was reached.

Industrial production in a number of seriously devastated countries in Europe also increased significantly during 1948. In the Union of Soviet Socialist Republics, where industrial output in the latter part of 1947 reached the 1940 level, production in 1948 was 18 per cent above that of 1940 and 27 per cent above that of 1947. Polish production during the first three quarters of 1948[1] attained a level equal to 139 per cent of the volume of industrial production in 1937 (within pre-war boundaries).

In the industrialized countries of Europe, activity during the first nine months of 1948 was generally maintained at or somewhat above the level of the last quarter of 1947—for example, in Belgium, the Netherlands, the United Kingdom and the Scandinavian countries.[2] Production in many branches of industry in these countries appeared to be approaching the limits of presently available capacity and man-power; further increases in production may, therefore, depend in large part upon expansion of plant and equipment, a significant portion of which must be imported. Another factor which is beginning to affect some countries is the apparent tendency of the effective demand for certain types of commodities to slacken as accumulated war-time needs are being substantially met.[3] Industrial production in Italy, which at the end of 1947 had reached about 80 per cent of the pre-war level, declined slightly during 1948. The rate of industrial output in France during the first nine months of 1948 was about equal to that of 1937—a substantial increase over the last quarter of 1947, when it was 87 per cent of the pre-war level.

Significant gains from low levels of production were registered in Austria and Germany. The level of industrial activity in the United Kingdom and United States zones of Germany in the third quarter of 1948 reached 57 per cent of that of 1937; it was only 37 per cent in the last quarter of 1947. Austrian production in the second quarter of 1948 was 75 per cent of the pre-war level, compared with 54 per cent at the end of 1947. In Japan, the general index of industrial activity during the first nine months of 1948 was 31 per cent of that for 1937, compared with 26 per cent during the fourth quarter of 1947.

A number of countries are grouped below according to the percentage increase in output in the first nine months of 1948 compared with the corresponding period of 1947, and according to the level of industrial production reached in 1947 in relation to 1937 activity.

Level of industrial activity in 1947 (as per cent of 1937)	*Per cent of increase, 1948 over 1947*		
	Under 10 per cent	*10 to 25 per cent*	*More than 25 per cent*
More than 125 per cent	Canada, Chile, Mexico, Sweden, United States	USSR	
100 to 115 per cent	Denmark, Norway	United Kingdom	Poland
80 to 99 per cent	Belgium	Czechoslovakia, Finland, France, Netherlands	
Under 75 per cent	Greece, Italy		Austria, Germany, Japan

[1] Within present boundaries.
[2] Excluding Finland.
[3] See section on inflationary and deflationary developments.

Further increases in production were registered during 1948 in under-developed countries which have been important suppliers of raw materials and agricultural products in the world market. Production of many basic raw materials, such as crude petroleum, natural rubber, fibres and certain non-ferrous metals, for which many of the under-developed countries are major suppliers, continued considerably above pre-war levels during 1948. Sharp declines at the end of the war in the production of raw materials in Far Eastern countries had been overcome in considerable part during 1947. Several Middle East and Latin American countries, which had increased their output of certain raw materials during the war, further expanded the production of many of these commodities during 1948. Important developments during 1948 in the output of raw materials in under-developed countries are mentioned below, in the analysis of trends in specific industries and commodities. While the situation varied considerably among commodities and regions, the world supply of raw materials in 1948 seems to have been adequate, on the whole, to meet requirements; the problem of increasing the total supply of raw materials is being overshadowed to some extent by difficulties arising from the tendency of international trade in certain commodities to be directed towards "hard" currency areas.

PRODUCTION IN VARIOUS BRANCHES OF INDUSTRY

Production of investment goods industries during 1948, relative to pre-war output, both in industrialized countries and in under-developed countries carrying out plans for industrialization, continued at a level considerably above that of general industrial activity. Fuel and energy output in 1948 tended to parallel closely general industrial activity, although the relative shares of coal, hydro-electric power and oil have changed considerably from those of pre-war years. Consumer goods industries, on the other hand, tended to operate at a level considerably below the average of industry as a whole in most countries, with the notable exception of a number of under-developed countries which expanded output of these industries under the stimulus of war-time requirements. Production indices for the extractive industries[1]—coal, ferrous and non-ferrous metals—and for timber, while showing considerable gains during 1948, did not rise as rapidly as manufacturing indices, for reasons explained below.

Fuel and energy

World production (excluding the USSR) of fuel and energy—coal, lignite, crude petroleum, hydro-electric energy and natural gas—during the first nine months of 1948 reached 125 per cent of pre-war levels. The relative contributions of coal, petroleum and electricity to this increase may be gauged from the following indices (based on monthly averages):

Year	*Fuel and energy*	*Electricity*	*Crude petroleum*	*Coal*
1937	100	100	100	100
1947	120	170	152	102
1948 (Jan.-Sept.)	125	183	171	104

The output of electric power and crude petroleum continued to climb steeply in contrast with the slow but steady increase in coal production.[2] The long-term trend towards the substitution of other sources of fuel and energy for coal appears to have been accelerated considerably during the post-war years.

World production of crude petroleum in the first nine months of 1948 reached a level 71 per cent above that of 1937, a substantial increase over 1947, when it was 52 per cent above pre-war. International trade in oil has undergone a substantial change, owing largely to the increase in consumption in the Western Hemisphere and the development of new sources of supply. In 1947 production in the Middle East was 2.5 times the pre-war output; during the first nine months of 1948, production in this area, which in 1937 accounted for 6.3 per cent of the world supply, was 3.3 times that of the pre-war rate and provided 12.3 per cent of total world output. Increasing consumption of liquid fuels in Europe has been based in large part upon additional supplies available from this area. The United States has changed since 1946 from a net exporter to a net importer of oil, by quantity, but since its imports are chiefly crude oil and its exports are refined oil products, the dollar balance of its oil trade has remained active. An increased share of the output of Latin American—chiefly Venezuelan and Colombian—oilfields is absorbed by the United States.

[1] Except crude petroleum.

[2] Developments during 1948 in the coal situation are discussed separately in part II.

Heavy industry

Emphasis during 1948 continued to be placed on the production of heavy industries, in order to meet the high requirements for investment goods. Expansion of the output of heavy industry was reflected in significantly higher levels of activity in the iron and steel, engineering and chemical industries, compared with those of industry as a whole, as is shown by the following production indices for the first nine months[1] of 1948 (specified base year = 100):

[1] Only six to eight months for certain countries and industries.

Country	Base period	General industrial index	Heavy industry: General[a]	Iron and steel	Engineering	Chemicals
Europe						
Belgium	1938	115	141	163	152	....
Czechoslovakia	1937	93	157	107	194	121
France	1938	106	119	116	113	130
Germany (French, U. K. and U. S. zones)	1938	61	33	28	32	42
Italy	1938	79	81	82	73	100
Netherlands	1938	104	115	....	117	103
Norway	1938	123	127	....	140	99
Poland	1938	129	202	121	236	206
Sweden	1938	142	136	129	136	....
United Kingdom	1938	117	143	126	139	164
North America						
Canada	1935-39	180	211	218	....	186
United States	1935-39	191	223	201	277[b]	253
Other						
Brazil	1937	513	....	651[c]	....	....
Japan	1930-34	50	....	51	....	....
Mexico	1939	124	....	358[d]	....	....
Union of South Africa	1937	128[e]	....	232[f]	....	....

.... Not available.

[a] Includes iron and steel, chemicals and engineering in European countries; represents "durable manufactures" in United States and Canada.

[b] Machinery.

[c] Pig-iron and ferro-alloys, 555; steel ingots and castings, 747.

[d] Steel ingots and castings only.

[e] Based on employment.

[f] Pig-iron and ferro-alloys only; steel for first six months, 200.

Despite a substantial increase in world output, steel and steel products continued to be in critically short supply during 1948. As explained in part II, serious obstacles to further expansion of steel production in Europe may be encountered in 1949. World production of machinery and other products of engineering industries has also expanded considerably but the supply of these goods is far from meeting present requirements. The record 1948 output of machinery in the United States was 2.77 times the pre-war rate. The chemical industry in Europe—excluding Germany—as well as in the United States and in Canada, maintained production considerably above pre-war levels.

In several of the less industrialized countries which have undertaken industrialization programmes, considerable progress was made during 1948 in expanding the production of heavy industries. The inability of the under-developed countries to obtain adequate imports of machinery and equipment from countries which export capital goods continued, however, to retard their programmes for replacing equipment and expanding plants.

Consumer goods industries

The world shortage of consumer goods, although alleviated considerably during 1948, remained acute. The situation varied considerably among countries; the output of consumer goods industries tended generally to be below the average for industry as a whole and failed to reach pre-war levels in many of the war-devastated countries.

The situation in textile products appears to have improved considerably. There are signs that the world textile market may be considerably more competitive in 1949 as a result of the improved supply of textiles, the important part which they play in the export goals of a number of European countries and other factors. The Food and Agriculture Organization of the United Nations has summarized the textile situation as follows: "While the supply of textiles is adequate in a number of countries, and there are even signs of growing inventories in some of them, large regions of the world are still unable to meet their requirements for these goods. Trade in semi-manufactured and finished textiles is reviving slowly, and their distribution has undergone marked changes as the result of the war. Among the major factors accounting for this change are the expansion of textile-manufacturing industries in some of the newer industrial countries and the disruption of Far Eastern trade, previously dominated by exports from Japan."[1]

World consumption of the major natural fibres has exceeded current production since the end of the war, although it is still below pre-war consumption. As a result, world stocks of fibres declined sufficiently to eliminate the fear of a burdensome surplus. There are indications, however, that this situation is changing again, particularly with respect to the world's supply of cotton. The expansion of the area under cotton in several countries—stimulated by the increase in the dollar price of cotton to a level three to four times pre-war prices—and abundant 1948 crops in the United States should render possible an increase in foreign trade in cotton, possibly at reduced prices. Exports of wool from several of the chief producing countries, such as Australia, New Zealand, Argentina and Uruguay, have recently been above pre-war levels, owing in some cases to shipments from accumulated stocks. Wool imports of the United States have increased with the decline of about one-third in domestic wool production since the 1930's. World consumption of fibres since the end of the war has been strongly influenced by the expansion of textile manufacturing activity in the United States, Latin America and the British Dominions, which has been offset in part by the slow recovery of textile production in Europe and the Far East, particularly in Japan. The situation has been further complicated by the increased price of raw materials and by the dollar shortage.

The output of leather products continued comparatively low during 1948, because of the decline in the rate of slaughter of the reduced livestock populations. The production of virtually all types of leather declined during the first half of 1948 in the United States; the output of leather products for the first nine months of 1948 was only 11 per cent above the average for 1935 to 1939. The output of leather products was between 60 and 70 per cent of pre-war levels in a number of European countries. The shortage, and accompanying high price, of leather products appears to have accelerated the use of substitute materials in the production of many types of foot-wear and of other items. Further recovery in the production of leather and leather products is likely to be slow since it is closely dependent on the rehabilitation of livestock populations.

Extractive industries

In most industrialized countries, mining activity—including coal-mining—had not yet reached pre-war levels in 1948, although manufacturing output significantly exceeded pre-war production. The situation varied considerably among different products of the extractive industries.[2] Despite this discrepancy, the supply of raw materials provided by the extractive industries, with certain exceptions, does not appear to have been an important factor in retarding the expansion of general manufacturing activity. There are many factors, varying by country and by industry, which explain the ability of manufacturing activity to rise more rapidly than the output of the extractive industries which provide the manufacturing industries with their raw materials. Such factors include control over the use of certain products of the extractive industries by allocation systems which limit amounts available for consumer goods industries,

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[1] Food and Agriculture Organization of the United Nations, *The State of Food and Agriculture—1948, A Survey of World Conditions and Prospects* (Washington, D.C., September 1948), page 174.

[2] The world supply of a number of basic raw materials is shown in part II.

in order to give priority to heavy industry; increased use of substitute raw materials, including synthetics, which are available in larger quantities; and lowered raw material requirements per unit of output as a result of technological advances. Many of these factors reflect long-term trends and are not peculiar to the post-war period.

The shortage of man-power for the extractive industries continues to be the main obstacle to larger output in industrialized countries. In the less developed countries, where mining output has made more substantial gains, the shortage of equipment, which usually must be imported, is becoming the more important factor in retarding further advances. The problem of assuring the provision of adequate supplies of raw materials by the extractive industries is likely to depend, in the immediate future, as much on the expansion of the international flow of these commodities as on increasing total world production.

World Supply of Foodstuffs[1]

The outlook for a substantially larger world supply of foodstuffs in 1948/49 is perhaps the most important economic development during 1948. From almost every region of the world it is reported that excellent crops of cereals have been harvested during the last half of 1948, or are in prospect. As a result of increased domestic production in most food-importing countries and the largest total grain export supply available since 1930/31, the world cereal crisis should be substantially eased. Supplies of fats and oils and of other foodstuffs promise further, although less substantial, improvement during 1949.

The optimism engendered by substantially improved prospects for the supply of foodstuffs in 1948/49 needs to be tempered, however, according to the Food and Agriculture Organization, by the recognition that "much of the current year's advance in production is to be ascribed to a favorable season and not entirely to permanent recovery". During the coming year, however, the possibility exists for definite progress in improving the quality of bread, in raising ration levels and in relaxing rigid regulation of the utilization of indigenous grain production. The significant increase in the supply of coarse grain also makes it possible to regard the current season as "a transition year between food and feed use". The greatly increased supply of bread as well as of coarse grains means that coarse grain can again be used to a considerable extent for feed. As a result, livestock rehabilitation programmes can move forward once more at an increased tempo, although they will not result in improved supplies of meat and other livestock products for a considerable period.

FOOD SITUATION PRIOR TO 1948 CROPS

At the beginning of 1948, it appeared that the world supply of foodstuffs available for consumption in 1948 might be two or three per cent below that of the preceding year.[2] More complete data now indicate, however, that the supply of food for the world as a whole (exclusive of the USSR) during 1947/48 was about the same as in the preceding year—approximately 96 per cent of the pre-war average for 1934 to 1938. According to the Food and Agriculture Organization, "the supply of food available for consumption in 1947/48 was greater than in 1946/47 in every major region of the world except western Europe, where there was an unfortunate crop failure". Because population has increased, the *per capita* food supply during 1947/48 is estimated to have reached only 88 per cent of the pre-war level—an average of 90 per cent for food crops and 86 per cent for animal products.

Supplies of food in 1947/48 in the United States, Canada, Australia and New Zealand, and in Latin America, remained considerably above pre-war levels and food consumption showed relatively little change over the preceding year. Further recovery was registered in the Far East, where 95 per cent of the pre-war volume was reached; the *per capita* quantities of available foodstuffs appeared to be generally higher than in the preceding year, although evidence of malnutrition and undernourishment continued to be widespread. In the Union of South Africa, the food situation was,

[1] This section is based almost entirely on the comprehensive report of the Food and Agriculture Organization of the United Nations, *The State of Food and Agriculture — 1948, A Survey of World Conditions and Prospects* (Washington, D.C., September 1948). Certain of the general findings of that report are elaborated or given added emphasis here because of their significance for the general world economic situation.

[2] *Economic Report: Salient Features of the World Economic Situation 1945-47.*

according to the Food and Agriculture Organization, "more favorable than at any time since 1942".

In Europe (exclusive of the USSR), however, the supply of foodstuffs in 1947/48 declined to 75 per cent of pre-war levels. The abnormally low output of cereals and other crops in western Europe in 1947 resulted in a serious setback to agricultural rehabilitation in 1948. While there was considerable improvement in eastern Europe as a whole,[1] where consumption of bread, potatoes, meats and fats increased significantly over the preceding year, consumption of bread, potatoes and milk generally declined in western Europe. As a result of good harvests in 1947, bread rationing in the Union of Soviet Socialist Republics was discontinued at the end of 1947 and food consumption rose substantially in 1948.

[1] With the notable exception of Czechoslovakia.

The situation in various regions of the world prior to the 1948 harvest is summarized in the table below; detailed information on the situation in individual countries is available in the full report of the Food and Agriculture Organization. Index numbers of total and *per capita* supplies of food available for consumption and of the volume of production for 1946/47 and 1947/48 are as follows (1934-38 = 100):

	Supply				*Production*	
Area	*Total*		*Per Capita*		*Total*	
	1946/47	*1947/48*	*1946/47*	*1947/48*	*1946/47*	*1947/48*
World average (excluding USSR)	95	96	86	88	95	96
Far East	92	95	84	87	90	93
Europe (excluding USSR)	77	75	73	73	76	74
United States and Canada	126	122	112	108	135	129
Latin America	119	127	96	102	114	120
Australia and New Zealand	108	110	94	96	96	111

Source: Food and Agriculture Organization, *op. cit.*, tables 1, 3 and 4; all data are subject to qualifications, including variations in the pre-war years used as base, indicated in the footnotes to the tables in the report.

1948 CROPS AND FOOD OUTLOOK FOR 1948/49

Grains

In November 1948, the Food and Agriculture Organization estimated that total world production of bread grains in 1948 (aside from production of the USSR) was 161.4 million tons, or about 14 per cent above 1947, and approximately 10 per cent higher than pre-war output. A similar world estimate is not available for coarse grains, but a record world output is forecast, owing to the record maize crop in the United States. The world production (excluding the USSR) of barley and oats alone is estimated to have reached nearly 94 million tons in 1948; the percentage increases over the preceding and pre-war years were as high as for bread grains. The main factors in the improved grain outlook for the world are summarized below.

In EUROPE, excellent crops of wheat and rye harvested in 1948 are expected, in countries outside the Union of Soviet Socialist Republics, to amount to 51.2 million tons—nearly 16 million tons, or almost 45 per cent, above 1947 crops—although still about 17 per cent below pre-war levels. About three-fourths of this increase affects grain-importing countries of Europe. Outstanding gains in individual countries are summarized in the figures below, which show wheat and rye crops in 1948 as percentages of 1947.

Czechoslovakia	126
Denmark	270
France	220
Germany (U.K. and U.S. zones)	153
Hungary	146
Italy	132
Netherlands	134
Poland	146
Sweden	185
United Kingdom	138

The outlook for coarse grains in Europe is equally favourable. Production, outside of the Union of Soviet Socialist Republics, of barley and oats in 1948 is estimated at 32.6 million tons, or 18 per cent above the preceding crop. Similar increases in the maize crop are indicated in many European countries; in Hungary, for example, where maize is a relatively important crop, the estimated increase over the previous year is 78 per cent. Little information is available as yet on the crops of the countries of south-eastern Europe, such as Bulgaria and Yugoslavia where maize is used in large part for human consumption, but good crops are generally indicated. The further improvement in grain production in eastern Europe has created the possibility of resumption on a limited scale of grain exports from this area, which have been negligible since the end of the war.

In the UNION OF SOVIET SOCIALIST REPUBLICS, the gross grain harvest in 1948 is reported to have reached the 1940 level, showing substantial improvement over the 1947 crops, which in turn were 58 per cent above those of 1946. According to the Food and Agriculture Organization, "there is reason to believe that Soviet grain exports from the 1948 harvest might reach 3 to 3½ million metric tons".

In the UNITED STATES, the 1948 harvest of maize, of some 93 million metric tons, is 52 per cent greater than the relatively small 1947 crop and 12 per cent above the record maize crop of 1946. The wheat crop of approximately 35 million tons is only somewhat below the 1947 record crop. Thus total grain production will be at a record level, which may mean that 1949/50 production will be supplemented by larger carry-over stocks than in any previous post-war year.

In CANADA, substantially larger crops of wheat and feed grains are also reported for 1948. Wheat production is estimated at 10.7 million metric tons, compared with 9.2 million tons in 1947; barley and oats at 8.9 million, compared with 7.4 million tons. The increase in feed grains will probably result in an upturn in the production of livestock. In AUSTRALIA, owing to the record wheat crop of six million tons in 1947/48, exports of grain during 1948/49 will be high.

From this brief review, it is apparent that not only will the grain-importing countries of Europe have good cereal crops, but that the world export surplus of grain in 1948/49 will be the largest since 1930/31, amounting to at least 38 million metric tons,[1] compared with 35 million tons in 1947/48 and 29 million in 1946/47. Of this total, about 12.5 million tons are coarse grains and the balance of 25.5 million tons are bread grains. The net total of effective bread grain import requirements would appear to be around 28 million tons, and of coarse grains, from 10.5 to 11 million tons. This leaves an apparent deficit of 2.5 million tons of bread grains and a possible surplus of two million tons of coarse grains. On the assumption that the surplus of coarse grains could be substituted to meet excess bread grain requirements, supplies and import requests appear to be in reasonable balance. Import requirements for 1948/49 are reported to be based on plans for substantially increased food consumption; claimants have tended to request that their import requirements be judged, not on hunger or need, but rather on such factors as their effect on general economic rehabilitation, on foreign exchange resources and on the return of coarse grain to feed, rather than food, use. The Food and Agriculture Organization notes that a definite surplus of grains would result if bread grain utilization were retained at 1947 levels in importing countries.

Rice

Production of rice in 1947/48 was almost at the pre-war level, but largely owing to increased production outside of Asia—namely, in Egypt and in the Western Hemisphere; the output of rice in Asia, which produces and consumes 90 per cent of the world's rice, was below pre-war levels. The current outlook in this area is for continued recovery in 1948/49 but the present rate of increase is insufficient to meet consumption requirements. A comparison of pre-war and 1947/48 production of rice in various regions is provided below (in thousands of metric tons of milled equivalent):

Region	*1934/35–38/39*	*1947/48*
Total	100,812	99,547
Asia	96,880	93,380
South America	1,176	2,112
Africa and Oceania	1,294	2,077
North and Central America	754	1,332
Europe	708	647

[1] This estimate and subsequent analysis was made prior to the higher estimates of the 1948 grain crop that appeared in the November 1948 *Monthly Bulletin of Food and Agriculture Statistics* of the Food and Agriculture Organization of the United Nations.

The food-deficit countries of Asia have found it necessary to import large quantities of cereals and rice from the Western Hemisphere at high prices, owing to the decline of Asian exports to less than one-third of pre-war levels. World exports of rice, which from 1934 to 1938 exceeded nine million metric tons annually, were only 2.2 million tons in 1947 and are expected to reach 3.6 million in 1948; the increase is caused chiefly by larger sales by Burma and Siam. The outlook for improvement in the rice supply in 1948/49 is not favourable for these reasons. In addition, rice-importing countries face increasing difficulties in paying for imports from dollar areas and from rice-exporting countries of south-east Asia, which are also tending to require payments in dollars.

Fats and oils

The outlook for fats and oils is for some further improvement during 1948/49 but recovery will necessarily be slow since it is related in part to livestock rehabilitation. While the world production of fats and oils during 1948 is estimated to have recovered to approximately the pre-war level of 23.2 million tons, the distribution of production in the 1948/49 crop year showed marked disparities among various regions.

Fat and oil production in North America is estimated at more than 150 per cent of pre-war (1934 to 1938) output. It was at 133 per cent in the Philippines, although considerably below pre-war levels in other Asian countries. It was around pre-war levels in Australia and New Zealand and considerably above pre-war volume in Latin America. The production of fats and oils is estimated at close to pre-war levels in southern and south-eastern Europe and in the Union of Soviet Socialist Republics, but at only 50 per cent of pre-war output in central Europe — Germany, Austria, Czechoslovakia and Poland—and at 80 per cent in northern and western Europe.

The export supply in 1948/49 is estimated at 4.3 million tons, compared with 3.5 million tons in the preceding year and 5.9 million tons in 1934/38. During 1948 the chief importing regions, Europe and North America, took almost 90 per cent of primary fat materials entering world trade —the same proportion as before the war. The brunt of the world shortage continued to fall on Europe, whose fat imports represent 45 per cent of its consumption. With substantially increased indigenous supplies and imports in prospect for 1948/49 in Europe (except for Germany), European *per capita* supplies should reach between 80 and 90 per cent of pre-war levels, compared with 65 to 75 per cent in 1947. In other regions, there is likely to be a wide range in fat consumption; some countries will probably be below their very low pre-war levels.

Sugar

The Food and Agriculture Organization reports that the "sugar situation changed during 1947/48 from one of shortages and allocations to one raising fears of future surpluses". World production in 1947/48 exceeded that of the previous year by a million tons and was above the pre-war level. The Cuban production of 6.1 million tons was more than twice its pre-war output. In the Western Hemisphere as a whole, chiefly as a result of Cuban production, sugar output was over four million tons above pre-war volume. Production in Asia increased substantially in 1947/48 but was below the pre-war level. The prospects for 1949 in Europe are excellent although last year's output was only two-thirds of pre-war production. There is some concern over the possibility of a sugar surplus, which arises from the anticipated increase in European production and Asian exports at a time when production in the Caribbean remains high.

Livestock products

The outlook for increased supplies of livestock products in 1948/49 is considerably better, although the effects of the additional supplies of feed grains in 1948/49 will not be felt immediately. In Europe as a whole, present output of livestock products is about 65 per cent of pre-war levels. Meat production in 1947/48 was little improved over the preceding year; increases in eastern Europe were offset by declines in western Europe. Milk and dairy products also showed slight declines.

In the United States and Canada, the excellent 1948 crops hold prospects of a reversal in the 1947 decline in production of meat, milk and dairy products, whose output had expanded greatly during the war. The outlook in Latin America, Australia and New Zealand also indicates a continued rise in the output of livestock products.

With the restoration to pre-war levels of the supply of agricultural products for the world as a whole, there will still remain considerable disparity among various countries in consumption levels in 1949, as compared with pre-war standards. Efforts to restore or improve upon pre-war consumption levels in most countries will encounter problems of a long-term character. These include not only rehabilitating livestock populations but accelerating the rationalization of agricultural production. In many regions further expansion of agricultural production requires not so much an increase in area sown, which in a growing number of countries has already reached effective limits, but improvement in technical efficiency by increased mechanization and the application of advanced agricultural techniques.

Agricultural requisites

The more immediate problems of 1949 appear to centre around the supply of fertilizer, of draught power—especially of tractors—and of other farm machinery. Domestic production of these items must be increased and exports from major producing countries expanded. The necessary means must be found both for internal investment and for external financing of needed imports of agricultural requisites.

Fertilizers: According to the Food and Agriculture Organization, the current world demand-supply position for fertilizer chemicals—nitrogen, phosphates and potash—is as follows:

World production of *nitrogen* in 1947/48 was nearly 2.8 million metric tons and in 1948/49 is expected to exceed 3.0 million. Owing to increased demand, however, production will meet only about 75 per cent of requirements in 1948/49—the same percentage as in 1947/48. Despite an anticipated increase in European nitrogen production in 1948/49, of more than 50 per cent over the preceding year, the spread between demand and supply in that region is expected to increase. Production in North and South America has increased 15 per cent in the past two years and consumption eight per cent; as a result 1948/49 exports are expected to be 30 per cent above 1946/47. Continued difficulties in Asia and Africa in obtaining needed supplies of nitrogen are aggravated by currency and transportation problems.

The world supply of *phosphates* is reported to be adequate for current demands, with certain exceptions. In most European countries, phosphate consumption appears to have regained—and in some cases, exceeded—the pre-war level. Phosphate rock production in North Africa is now above pre-war output.

Supplies of *potash* on the other hand, despite appreciable increases in production, are insufficient to meet world needs. United States production of potash in 1947 was more than three times that of 1939. French potash production increased significantly in 1947/48; exports from the USSR zone of Germany, where the main German potash deposits are located, are reported to be negligible, compared with pre-war exports.

Tractors and farm machinery: Although world production (excluding that of the USSR) of tractors and farm machinery is estimated to have increased about 20 per cent during 1948, the world supply of such equipment is far from meeting continued high requirements resulting from war losses of draught power in Europe and the Far East, obsolescence of farm equipment and interruption of oversea supplies. The United States and the United Kingdom are the only major tractor producers now able to meet these demands. Several European countries have stepped up their output rapidly, particularly Czechoslovakia, France, Poland, Sweden and the Union of Soviet Socialist Republics. Canada is currently producing tractors in appreciable numbers and other countries are initiating efforts to manufacture them. It appears that exports of tractors in 1948 may be nearly one-third higher than in 1947; the largest share of these exports is likely to go to western European countries under the European Recovery Program. United Kingdom production in 1948 will probably be 50 per cent above, and exports double, that of 1947.

International trade in agricultural commodities

Another major problem which is emerging with the improvement in the world supply of foodstuffs concerns countries with large food import deficits, on the one hand, and those with food surpluses, on the other. As a result of factors which were set in motion during the war and of long-term trends, countries which traditionally import food have become increasingly dependent, since the end of the war, on a small number of major food-exporting countries. The possible maintenance at present levels of expanded agricultural production in the latter countries is the basis for some concern regarding the possibility of burdensome surpluses in the future, in the absence of effective demand.[1] On the other hand food exports from many regions of the world which were formerly exporters of foodstuffs have dwindled since the end of the war and have shown little tendency to resume their pre-war proportions. As a result of a tendency towards a higher retention of foodstuffs for domestic consumption, particularly in the under-developed countries, it is likely that limited supplies will be available for export from these countries for some time.

World exports of food declined only slightly from pre-war levels because the drastic reduction in exports from Europe and the Far East has been almost equalled by the great expansion in North American exports. Food exports have declined to a greater degree than food production in all regions, except North America, because former exporting countries are retaining larger shares for their own use. The relative shares in world production and exports of food before the war and in 1947/48 were as follows:

Area	*Production* 1934–38	*Production* 1947/48	*Exports* 1934–38	*Exports* 1947/48
Total	100	100	100	100
Far East	35	33	18	4
Europe (excluding USSR)	33	25	30	13
United States and Canada	18	25	18	46
Latin America	8	10	22	24
Australia and New Zealand	2	3	10	11
Africa and Near East	4	4	2	2

The drastic changes which have taken place in the direction of trade in foodstuffs are most forcefully revealed by a comparison of the pre-war and post-war distribution of exports of grain, shown below:

Country	*1935–38* Thousands of metric tons	*1935–38* Per cent	*1947/48* Thousands of metric tons	*1947/48* Per cent
Total	29,429	100	35,003	100
Argentina	10,466	36	7,125	20
Canada	4,783	16	5,750	17
Australia	2,931	10	3,201	9
United States	598	2	15,323	44
All other	10,650	36	3,604	10

The Food and Agriculture Organization considers that the important question is whether the new patterns of trade, whose outstanding feature is increased dependence of all deficit countries on food from the Western Hemisphere, will prove to be only temporary, and whether traditional relationships among Europe, the Far East, Africa and Latin America will be resumed.

[1] In summing up the food situation, the 1948 annual conference of the Food and Agriculture Organization of the United Nations stated: "A large increase in production is called for in the world as a whole and is obviously most urgent in the deficit regions and the low income regions. A maintenance or expansion of high levels of production in North America where conditions for technical progress are especially favorable would be universally welcomed provided that satisfactory solutions could be found to the international trade and payment problems which the deficit countries at present face." (Report to the eighth session of the Economic and Social Council on resolution 103 (VI) on co-ordinated action to meet the continuing world food crisis, page 3.)

INFLATIONARY AND DEFLATIONARY DEVELOPMENTS IN 1948[1]

With minor exceptions, high post-war levels of employment were maintained throughout the world in 1948 and, in general, the overall inflationary pressure did not weaken substantially. In most countries, prices and wages were still rising at the end of 1948. In some instances, however, deflationary symptoms were beginning to be observable for the first time since the war. During 1949, the considerable increase in the food supply resulting from almost universally excellent 1948 harvests may substantially mitigate the inflationary pressures.

Only the broadest general conclusions can be drawn for the world as a whole, because of the diversity of the inflationary situations in various countries. Brief analyses are provided below of inflationary and deflationary developments during 1948 in selected countries of Europe, in the United States, Canada, Australia and New Zealand, and in Latin America and the Far East, to illustrate the situations in different parts of the world.

Inflationary pressures have prevailed throughout EUROPE during the entire post-war period. In many European countries, according to a preliminary analysis, it appears that post-war increases in national budget deficits and in private investment in relation to incomes have been approximately offset by high import surpluses, thus leaving the ratio to private incomes of net expenditures which create incomes without increasing consumer supplies about the same as that of pre-war. Inflationary pressures, however, stemmed from the decline in the supply of essential goods and from the demand pent up during the war, which was supported in many instances by accumulated liquid savings. In some countries, speculative hoarding of commodities was a further important inflationary factor.

During the year 1948, net expenditures which generate income without simultaneously increasing the supply of consumer goods and services do not appear to have changed very considerably in relation to private income. Successful efforts were made in most countries to reduce budget deficits or to increase budget surpluses. There was at the same time, however, a fairly widespread tendency to reduce import surpluses because of shortages of appropriate foreign exchange resources. Although comprehensive data on private investment are not available, scattered information suggests that the prevailing tendency was to raise the level of investment to some extent during 1948 but, in most instances, the rise was not such as to increase the inflationary pressure significantly above the level of the preceding year.

In general, some increase in the supply of industrial consumer goods in 1948, coupled with the fact that the overall supply of food in 1948 did not fall below that of the preceding year, served to mitigate inflationary tendencies to a limited extent. In addition, there were some symptoms of gradual elimination of the pent-up demand through the relatively high level of output of certain durable and semi-durable goods.[2]

Increases in the cost of living during 1948 in certain European countries are shown by the following index numbers for the third quarters of 1947 and 1948 (1937 = 100):

Country	*1947*	*1948*
Belgium[a]	344	396
Czechoslovakia (Prague)	314	318
Denmark[b]	167	170
France (Paris)[c]	1,254	1,974
Italy[d]	5,068	4,768
Netherlands[e]	201	205
Norway	164	164
Poland (Warsaw)[f]	12,730	13,013
Sweden[g]	152	160

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics.*

[a] Retail price index.

[b] October.

[c] Food only.

[d] 1938 = 100.

[e] Second quarter.

[f] Does not take account of prices of rationed articles.

[g] End of third quarter.

[1] This analysis is based on the factors described in reports of the United Nations Department of Economic Affairs, *Survey of Current Inflationary and Deflationary Tendencies* (September 1947) and *Economic Report: Salient Features of the World Economic Situation 1945-47* (January 1948).

[2] The pattern of development in Czechoslovakia was different from that described above. Czechoslovakia's food production declined considerably as a result of a very poor harvest in 1947. Although it increased its food imports, its total food supply in 1948 was substantially below the level of the preceding year. This factor, in conjunction with a considerable increase in the investment of nationalized industries, created intense inflationary pressure. Official prices for rationed products were maintained but a considerable black market developed.

According to the above, the cost of living showed little increase in countries such as the Netherlands and the Scandinavian countries, which maintained comprehensive systems of rationing coupled with price controls, in order to prevent open inflation. In the United Kingdom, which also belongs to this group, the increase amounted to seven per cent. Varying rates of increase occurred in other European countries, nearly all of which had partial systems of rationing.

Developments in the UNITED KINGDOM followed the general pattern described above. The major changes in net expenditures which generate income without adding to the supply of consumption goods were the decline in the import surplus and the roughly offsetting rise in the budget surplus on current account. The supply position, both in industrial goods and in some food items, improved and the pent-up demand for some goods has been slackening. As a result, the Government has been able during 1948 to de-ration such goods as potatoes, bread, jam, utility furniture, boots and shoes and a large number of textiles, and to increase the rations of such other items as fats and sugar. The cost of living rose, mainly as a result of increases in import prices, the elimination of some subsidies and increases in some indirect taxes. Wages also rose, but less rapidly than prices, so that real wages declined somewhat.

In FRANCE, there was a considerable increase in investment in relation to private income during 1948. This increase was offset, not only by a substantial reduction in the budget deficit in relation to private income, but also, mainly as a result of devaluation, by an increase in the import surplus expressed in terms of francs.[1]

Although expenditures which generate income without contributing to the supply of consumption goods thus did not rise in relation to private income, price increases occurred because the rise in the price of imported goods was passed on to the consumer. These price increases added to the momentum of the wage-price spiral which continued as inflationary pressures remained unchanged and food supplies continued to be scarce.

In the autumn of 1948, there was a particularly sharp rise in food prices, probably as a result of a temporary deterioration in the supply position. At the end of the year food prices showed definite signs of weakening.

The 1948/49 harvest was considerably larger than that of the preceding year and the food supply in 1949 will undoubtedly be very much better than in 1948. This should serve as an important mitigating element in the French inflationary situation.

In ITALY, the index of industrial production, which in the autumn of 1947 was still considerably below pre-war levels, ceased to rise at that point and began to fall. In the second quarter of 1948 production began to rise again, but in the third quarter it was still below the peak reached in 1947. Registered unemployment, which had already been considerable, began rising in January 1948 and prices both of food and of industrial goods fell. Although available data do not permit a thorough analysis of this development, it does not appear that budget policy alone could have reversed the inflationary trend. The apparently large-scale hoarding of goods, during the period of rapidly rising prices in the first half of 1947, seems to have been halted by credit restrictions and may even have been changed to dishoarding. Since these changes came at a time when much of the urgent post-war reconstruction needs had been satisfied, they may have caused a reduction of investment in plant and equipment.[2]

In POLAND, the introduction of effective methods for direct tax collection and the reduction of profits earned in trade—through increases in Government prices to retailers and through competition from co-operatives and Government shops—resulted in a decline in the pressure of demand upon the supply of consumer goods. On the supply side, the loss of goods from the United Nations Relief and Rehabilitation Administration was offset in the second half of 1947 and in 1948 by increased home production of meats and dairy products; by larger food imports financed by increased exports, especially of coal; by a grain loan obtained in 1947 from the Union of Soviet Socialist Republics; and by a good 1948 harvest. In addition, there was a rapid increase in the domestic production and supply of industrial consumer goods. Official prices have remained fairly stable since

[1] The import surplus expressed in francs rose because imports and exports in terms of home currency increased considerably, and in similar proportion, after the devaluation of the franc at the beginning of 1948.

[2] In Belgium likewise, unemployment increased during the course of 1948. While food prices have risen since the removal of economic controls, the general pressure of demand has not been strong enough to support a sufficient expansion in economic activity to absorb the increases which have been taking place in the productivity of labour.

the autumn of 1947, while wages have increased considerably. A temporary scarcity of food supplies at official prices and a considerable rise in black market activity developed during the third quarter of 1948; however, supplies and prices were generally back to normal during the fourth quarter, although some official food prices were increased.

In the UNION OF SOVIET SOCIALIST REPUBLICS, the supply situation prior to the currency and distribution reform in December 1947 was as follows: Essential food and industrial goods were being distributed through a rationing system; food supplies were also being sold by *kolkhozes*—collective farms—at free market prices; and additional supplies were available for free purchase at much higher commercial prices in special Government shops. During 1947, the production of both industrial and agricultural goods recovered to a considerable extent; in particular the 1947/48 harvest was very much better than that of the preceding year. At the same time, part of the population was in possession of a large volume of notes and saving deposits accumulated during the war.

Under the monetary reform carried out in December 1947, currency was exchanged at the rate of 1 to 10 and saving deposits were exchanged at rates of 1 to 1—up to 3,000 roubles; 2 to 3—from 3,000 to 10,000 roubles; and 1 to 2—above 10,000 roubles.[1] Simultaneously, rationing was abolished and a system of uniform official prices was established.

The new official food prices for bread, flour and pastry were below the previous prices for rationed supplies; prices of meat, fish, sugar, salt, potatoes and vegetables were maintained at the same level; while prices of milk, eggs and fruits were increased above the level for rationed supplies. Prices of clothing and shoes were lowered to less than one-third of previous commercial prices. The average price level appears to have been reduced considerably below that prevailing in the preceding year and has continued to decline. *Kolkhoz* free market prices remained higher than official food prices but were very much lower than in 1947. The reform resulted in lowering the average price level because there was a considerable increase in supplies, compared with 1947, and because the cancellation of liquid savings made significant dis-saving by consumers impossible.

[1] Government bonds issued before 1947 were also converted, with one exception, into new securities at the rate of 1 to 3 and 1 to 5.

In the UNITED STATES, high levels of production and employment continued throughout 1948. The United States economy produced 3 to 4 per cent more goods and services in 1948 than in 1947; total agricultural output was increased by nine per cent. Total civilian employment reached a record annual level of somewhat under 60 million. The figures below show the employment position in some detail (in millions):

	1947		*1948*	
	1st half	*2nd half*	*1st half*	*2nd half*
Total labour force, including armed forces	60.9	62.3	61.8	63.7
Armed forces	1.6	1.3	1.2	1.4
Total civilian employment	57.0	59.0	58.3	60.4
Non-agricultural	49.0	50.5	50.8	52.1
Agricultural	8.0	8.6	7.6	8.4
Unemployment	2.4	1.9	2.2	1.9

Source: The Economic Report of the President, transmitted to the Congress of the United States, January 1949.

Detail will not necessarily add to totals because of rounding.

Since the initial rise in prices during the second half of 1946, following the removal of rationing and price controls, the cost of living and wages have risen steadily. In 1948 this process continued, although on a moderate scale, during the first three quarters of the year. The index of the cost of living in the third quarter of 1948 was about eight per cent higher than in the corresponding quarter of the preceding year. Average hourly wages in manufacturing increased in approximately the same proportion. In the last quarter, the cost of living fell slightly. At the wholesale level, there was a sharp break in farm prices early in 1948, after which prices rose again to reach a peak in August. Since that time, wholesale farm and food prices have declined. This decline reflects the improving food situation, the full impact of which will not be felt until 1949. While prices of metals and metal products have continued to increase, wholesale prices of textiles, hides, lumber and chemicals showed some decline.

Despite the rise in employment, production and prices in 1948, significant deflationary elements were discernible. The most important was the decline in the export surplus of the United States. Several factors also tended to reduce the share of consumption in the gross national product. There was a decline in the ratio of personal income of individuals to the gross national product, as a result of some relative shift to corporate profits in the distribution of income and some decline in Government transfers.[1] In addition, there was a decline in the proportion of income consumed, which was especially pronounced in the second half of 1948.

These deflationary influences were partially offset by increased investment in fixed capital in relation to the gross national product. In the second half of 1948 the reduction in personal income taxes and the increase in Government civilian and military expenditures also tended to increase effective demand. There was also some accumulation of inventories, part of which, at least in the first quarter of 1948, appears to have been involuntary and may therefore be considered a reflection of deflationary factors at work.

The changes in the structure of national expenditure from 1947 to 1948 are shown in the following percentage distribution:

Item	*1947* *First half*	*1947* *Second half*	*1948* *First half*	*1948* *Second half*
Percentage distribution of national expenditure (seasonally adjusted)	100	100	100	100
Consumption	70.9	71.5	70.4	69.5
Fixed investment	12.2	13.1	14.0	14.2
Government expenditures, excluding grants to foreign countries	11.1	11.4	11.5	13.1
Export surplus of goods and services [a]	5.0	4.3	2.7	2.1
Increase in inventories	0.8	—0.3	1.4	1.0

Source: The Economic Report of the President, transmitted to the Congress of the United States, January 1949.

[a] Includes net Government grants to foreign countries but excludes net private contributions to foreigners.

In CANADA, after rationing and price controls were dropped in 1947, prices rose rapidly during the remainder of the year and during the course of 1948; the cost-of-living index in the third quarter of 1948 reached 156 per cent of 1937, compared with 136 per cent a year before. Wages and fixed incomes lagged behind the rise in prices and the relative share of corporate profits in aggregate income increased.

In 1948 there were increases in investment and in the excess of exports over imports. The larger export surplus in 1948 was a result of the reduction of Canada's import surplus with respect to the United States, under pressure of the dollar shortage. Increased exports of foodstuffs reduced the available supplies of food and aggravated the inflationary pressure in this sector. Food prices in the third quarter of 1948 were 25 per cent higher than in the same period of 1947.

In AUSTRALIA, production and employment and disposable income continued to rise in 1948. The overall inflationary pressure appears to have been reduced somewhat during the year. The total supply of goods was greater in 1948 than in the preceding year and there was a slackening of pent-up demand. The inflationary influence of an increase in the export surplus was roughly offset by an increase in the budget surplus.

The cost-of-living index (1937=100) for the third quarter of 1948 was 150, compared with 137 for the corresponding period of 1947. In the second half of 1948, federal rationing—except for butter, tea and gasoline—and many price controls were abolished, while the remaining price controls of essential items were turned over to the states. Information is not yet available on the effects of these de-control measures.

Price movements in NEW ZEALAND have been following a course similar to those in Australia. The cost-of-living index in June 1948 reached 136 per cent of the 1937 level; it was 126 per cent a year earlier. New Zealand recently abolished rationing—except for butter and gasoline—but retained price controls. [2]

LATIN AMERICAN countries generally continued to be subject to heavy inflationary pressures during 1948. These pressures in the early post-war years were exerted chiefly by large export surpluses [3] and by high rates of public and private investment. During 1947 and 1948, the export surpluses largely disappeared as a result of increased imports financed by foreign exchange resources accumulated during the war and immediate post-war years. The imports, however, consisted to a great extent of capital goods and non-essential consumer goods, so that the anti-inflationary effect of this factor was limited.

The cost of living and wages continued to rise;

[1] Government transfers were abnormally high in the second half of 1947, because of the payment of veterans' bonuses.

[2] For reference to the effect of the appreciation of the New Zealand pound, see discussion below on international trade and finance.

[3] With the notable exception of Mexico.

the rise in the cost of living is shown by indices for the following countries (1937=100):

Country	*Quarter*	*1947*	*1948*
Argentina (Buenos Aires)	First	169	189
Brazil (São Paulo)[a]	Second	330	367
Chile (Santiago)	Second	372	434
Colombia (Bogotá)	Second	244	288
Mexico (Mexico City)	Third	348	376
Peru (Lima)	Third	269	340

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics.*

[a] 1939=100.

Industrial activity and employment, which in general had increased considerably in the immediate post-war years, tended to level off in 1947 and 1948, and to decline slightly in some countries (Mexico, Chile and Brazil). Private investment, especially in residential building, appeared to be slackening during 1948 in most Latin American countries, while the level of public investment remained high.

There has been a continuation of inflationary pressure in most countries of the FAR EAST during 1948. In general, this pressure has resulted primarily from dislocations arising out of the war; it has been further aggravated in a number of countries by the continued disruption of normal economic life, caused by internal disturbances.

In INDIA, post-war inflationary pressures were primarily attributable to the large budget deficit for financing public investment, the increase in private investment and the decline in *per capita* supplies of essential goods, particularly of food and cloth.[1] The cereal crops of 1947 were particularly unfavourable. The supply of industrial goods in 1948 showed little, if any, change over the preceding year.

Following the gradual de-control of prices pursuant to the policy announced by the Government at the end of 1947, and in the absence of any substantial change in the supply-demand situation, the general level of prices moved upward at an accelerated rate during 1948. The wholesale price index, which had risen by about 13 per cent during 1947, was 18 per cent higher in July 1948 than at the beginning of the year; increases of similar magnitude were registered in the cost of living. This situation prompted the Government to re-impose controls in the latter half of 1948.

In the PHILIPPINES, the inflationary pressures in the post-war years were primarily attributable to the budget deficit and to United States payments which were not fully offset by high import surpluses. In spite of the increased home production of food grains and substantial imports, the food supply *per capita* was below pre-war levels as a result of the increase in population. The pressures were, however, gradually reduced in the course of 1946 and 1947 as a result of the improving supply situation in food and other consumer goods. The cost of living accordingly fell from its 1945 peak in the course of 1946 and early 1947, after which it fluctuated within a relatively narrow range.

In 1948, the anti-inflationary influence of the decline in the budget deficit and in United States payments was largely offset by the reduction in the import surplus. The cost of living continued at roughly the level of the latter part of 1947.

Since liberation, the Philippines have suffered from considerable unemployment, both of agricultural and urban labour—over 1.3 million of a total population of about 20 million—following the war-time dislocations and the destruction of productive facilities and equipment, including the heavy losses of draught animals on farms. Aside from this "structural" unemployment, there appears to have been some increase in unemployment in 1947-48, due mainly to a reduction of the United States civilian and military employment in the islands.

In CHINA, a state of hyper-inflation has prevailed during the past few years. As a result of loss of confidence in currency, there was a tendency to spend entire incomes on consumption, investment or hoarding of goods. Budget deficits were incurred on a huge scale to finance military expenditures; only 18 per cent of total Government expenditure in 1947 was covered by revenue.[2] In the absence of any tendency to accumulate liquid savings, financing of budget deficits by issue of currency and granting of bank credits to private business caused prices to rise at a rate at which the resulting in-

[1] The replacement of pre-war export surpluses by post-war import surpluses worked in the opposite direction but for various reasons had little significance as an anti-inflationary factor.

[2] The import surplus, roughly as large as Government revenue, was a partially offsetting factor.

crease in the demand for money for transaction purposes was sufficient to absorb the increase in money.

The currency reform of August 1948, which was undertaken to end the hyper-inflation, provided for the exchange of old Chinese dollars for new gold yuan at the rate of three million to one. To secure "hard backing" for the new currency, the Government required that all holdings of gold, silver and foreign currency be surrendered in exchange for the new gold yuan, valued at U.S. \$0.25. The amount of new currency issued at the end of September 1948 in exchange for the latter assets was twelve times as large as that issued in exchange for the old Chinese dollar. The currency issue resulting from the above and the additional currency issued to finance the budget deficit—the latter amounting by the end of September 1948 to 4.5 times that issued in exchange for the old dollar—was considerably higher than requirements for transactions at prevailing prices in the new currency. After a short interval, the new currency was invested in the hoarding of commodities and hyper-inflation developed again, forcing a collapse of the price controls introduced under the monetary reform.

INTERNATIONAL TRADE AND FINANCE

Major Developments

The rise in the volume of production in 1948 was accompanied by an increase in the quantum of exports of most countries. The quantum of world exports[1] during the first half of 1948, however, which was close to the level of 1938 and 10 per cent below that of 1937, was slightly less than in either the first or second halves of 1947. Trends of world exports are shown by the following indices (1937=100):[2]

Period	*Dollar value*	*Quantum*	*Unit dollar value ("price")*
1937	100	100	100
1938	86	91	95
1946	127	76	167
1947	182	91	200
1947 First half	176	91	192
Third quarter	182	90	202
Fourth quarter	198	93	213
1948 First half	194	90	215

The levelling off of the quantum of world exports is due mainly to the decline in United States exports since the middle of 1947. Exports of other countries, taken together, have continued to increase, though at a slower rate in 1948 than in the preceding two years. During the first half of 1948, exports of the world, exclusive of the United States, were more than 10 per cent higher in quantum than during the first half of 1947, and somewhat higher than in the second half of 1947; but they were only about three-fourths of the 1937 level. If Germany and Japan, the exports of which have been far below pre-war levels, are also excluded, the quantum of exports in the first half of 1948 appears to have been almost 90 per cent of the 1937 level and nearly equal to that of 1938. The remarkable recovery of United Kingdom exports —which represent a significant share of the total— accounts in large part for this rise. The combined exports of all other countries, however, have also shown a steady, though slower, increase since the end of the war; the quantum of those exports during the first half of 1948 exceeded four-fifths of the 1937 level.

United States exports declined from a peak of 263 per cent of the 1937 level in the second quarter of 1947 to 203 per cent in the first half of 1948 and to 183 per cent in the third quarter of that year. Preliminary data for the last quarter of 1948 indicate a small upturn at the end of the year. The share of the United States in the value of world exports rose from an eighth in 1937 to a third in the first quarter of 1947 and dropped to less than a fourth in the third quarter of 1948. The recent decline in United States exports has been accompanied by an increase in United States imports. The quantum of imports, which stood at 96 per cent of the 1937 level in the first half of 1947, rose to 106 per cent in the first half of 1948.

Since the end of the war, the majority of countries have had large import surpluses and have suffered from increasing pressure on their balances of international payments. To a considerable extent, these difficulties were inherited from the 1930's, which was a period of disturbed international economic relations. The war had caused further dislocations, reflected in the exhaustion of stocks of goods, the destruction of productive power, domestic inflationary pressure and changes in international financial relationships. In certain countries there was pressure on the balance of payments as a whole, while in others surpluses earned in transactions with some areas could not be employed for financing deficits with other areas, par-

[1] World exports have been chosen to represent world trade, since the import figures for several countries after the war are misleading.

Two facts should be kept in mind when considering the figures quoted. First, the year 1937 is not typical of trade in the 1930's. It is a year in which international trade was more active than in those which preceded or succeeded it. In 1938, trade was at approximately the same quantitative level as in 1947 and 1948.

Secondly, in a situation when currencies are not freely convertible, figures computed for the world's trade cannot be regarded as very exact. In the 1930's and, to a much greater extent, in the post-war period, the prices charged in different export markets for corresponding products differed when converted into a common currency at prevailing exchange rates. The aggregate values and unit values are thus little more than rough approximations. The quantum indices are likely to be more reliable but they are not perfect since they fail to reflect changes in the average quality, or degree of processing, of goods belonging to each statistical item. There are indications that pronounced changes of this kind have taken place in certain countries since 1937—the base year used—but the evidence as to the general trend of the changes is not conclusive.

[2] For further details, see tables in part II.

ticularly the Western Hemisphere. The gaps in the balance of payments of countries exposed to pressure in their international transactions have been filled in part through the liquidation of their official gold and dollar assets and in part through credits from governments and inter-governmental agencies. Particularly at the time of the abortive attempt to restore free convertibility of sterling in the summer of 1947, however, outstanding credits as well as gold and foreign exchange assets were being depleted. In the following few months, there occurred a severe deterioration in the international payment situation of many countries. Several countries had to tighten import restrictions and exchange controls in order to reduce imports or redirect trade so as to render settlement possible through bilateral exchange.

These external disequilibria were linked in various ways with the internal economic dislocations described earlier in this report. Thus the crop failure of 1947 in a large part of Europe rendered a number of countries dependent to an increasing extent on imports of foodstuffs. The shortages and rising prices of foodstuffs involved heavy pressure on the countries which had to import more than usual and hastened the deterioration of their exchange positions. The situation worsened further as a result of shortages of certain other commodities, particularly of raw textiles and non-ferrous metals.

The pressure on international payments continued, in general, during the first half of 1948. It was mitigated to some extent, however, by new United States loans and grants to a number of countries in the form of "interim aid" at the end of 1947, followed in April 1948 by the more comprehensive European Recovery Program (ERP). By the middle of 1948 additional relaxation resulted from the outlook for improved crops and from a drop in cereal prices. There was, however, no general decline in prices in international markets, owing partly to increased demands for strategic materials for stock-piling purposes.

Since the market for foreign loans floated in countries that used to lend abroad has remained negligible, and since the official liquid foreign assets of countries exposed to pressure in their international payments have shrunk and cannot easily be reduced, the latter countries will not be able in the near future to finance as heavy import balances as in 1947, even taking into account the foreign aid they are receiving. Since the demand for foreign goods in these countries remains high, however, the reduction that has occurred in their net imports from the United States has been accompanied by an increase in the exchange of goods with other countries, chiefly through increased bilateral balancing of accounts.

In many countries, this change has been brought about in part by restrictions on trade, which have naturally increased the pressure on other countries. At the same time, the direction and the commodity composition of trade have been affected by post-war changes in the volume and nature of exportable supplies and import requirements. Both these factors have contributed to the lack of stability in the international payment situation in 1948. Certain countries which were considered as "surplus countries" in 1947, such as Argentina, Sweden and the Union of South Africa, experienced a weakening of their international payment situation during 1948. On the other hand, Belgium, despite the impact of war devastation, has emerged with the "hardest" currency in Europe, next to the Swiss franc.

There is no clear indication of the pattern of trade that will emerge after the prevailing strain on international payments has subsided. Few currencies are freely convertible at present, and there is frequently no common price level for the same type of commodity derived from different sources of supply. Private importers in "soft-currency" countries naturally seek to buy goods at the lowest possible prices, which usually requires expenditure of "hard" currency. Private exporters, on the other hand, prefer to channel sales to markets willing to pay prices which, at prevailing exchange rates, yield the highest proceeds in domestic currency, thereby frequently reducing the inflow of hard currency which would render possible imports at low prices. The resulting unbalance of trade, which drains the country's gold and foreign currency reserves, has forced many governments to tighten exchange controls and licensing systems so as to redirect trade. As a consequence, goods frequently have to be bought in soft currencies at prices which, at prevailing exchange rates, exceed those in the cheapest markets, while exports are diverted to countries willing to pay in hard currency but at lower prices. Naturally, this reorientation of trade, which discourages both imports and exports, is not always easy to carry out. Even when deficits with hard-currency countries are successfully reduced, the threat to the balance of payments as a whole may not be averted. An array of measures has been used by various countries to meet the resulting situation: subsidies in favour of exports, differential rates of exchange for imports and exports or an outright depreciation of the national currency, as well as anti-inflationary measures which contribute to the balancing of accounts even when not introduced primarily for that purpose.

The disturbances in international economic relations remain so pronounced and the problems facing countries in their efforts to approach equilibrium in their balance of payments so complex and varying that probably no simple way out of the difficulties can be found. The situation has been summarized in the following way by the International Monetary Fund: "The countries which have been devastated by the war cannot be expected to balance their international payments at once, and no exchange depreciation, however severe, would enable them to achieve such a balance at a tolerable level of imports . . . The unbalance of many economies throughout the world today is of too fundamental a nature to be corrected merely or even mainly by exchange rate adjustments".[1] The Fund also points out that "the fundamental conditions which would make possible the abandonment of trade and exchange restrictions are . . . entirely absent today in most of the world".

[1] International Monetary Fund, *Annual Report, Year Ending April 30, 1948* (Washington, D.C.).

International Loans and Grants

It is clear from the above that a large part of international trade has been kept going by means of government loans and grants. The widespread network of loans and grants is shown by the list of countries appearing as sources and recipients of aid in the tables on this subject in part II. From the end of the war until the early months of 1947, aid was furnished by international grants through the United Nations Relief and Rehabilitation Administration and also bilaterally by government grants and long-term loans or by credits under payments agreements, the latter especially among European countries. While the United States furnished about 70 per cent of the assistance through UNRRA and a similar portion of the bilateral loans and grants, a number of other countries bore a large share of the burden in relation to their capacity. The United Kingdom was both a large-scale recipient of aid from the United States, Canada and other countries, and a source of loans and grants to continental Europe and the Far East.

During 1947, countries other than the United States that had made important contributions through UNRRA or directly to other governments began themselves to face acute foreign exchange shortages, intensified by their inability to obtain convertible currencies from areas in which they had been selling their exports. Thus, Canada and the United Kingdom curtailed further lending and restricted drawings upon loans previously granted but not fully utilized. Similar policies were adopted by Argentina and Sweden. For a period, drawings on the liquid foreign assets of deficit countries and on existing loans, particularly those granted in 1946 by Canada and the United States to the United Kingdom, eased the strain. The Union of South Africa made a loan of $320 million in gold to the United Kingdom, which also received sterling grants from Australia and New Zealand. Export surpluses in intra-European trade were also financed for a time by further increases in the credits extended under certain payments agreements, especially by Belgium. There were also drawings on the International Monetary Fund[1] and several loans by the International Bank for Reconstruction and Development.[2]

In the early part of 1948 the conclusion of a number of trade and payments agreements within eastern Europe provided for an increased volume of trade, generally over a period of five years, and frequently for credit transactions.[3] Such agreements involved the extension of credits by the Union of Soviet Socialist Republics to Czechoslovakia, Poland and Yugoslavia and provided for delivery of certain types of capital equipment as well as raw materials by the former. The Union of Soviet Socialist Republics has also made two longer-term loans to Poland: one in March 1947 of $28 million in gold for thirteen years, and one in January 1948 of $450 million for a ten-year period, to finance Polish imports of capital equipment. In addition, a number of trade agreements have been made by eastern European countries with those of western Europe, which provide for

[1] $649 million from May 1947 to September 1948; further details of these loans and credits are shown in part II.

[2] $509 million from May 1947 to 30 September 1948.

[3] See United Nations Economic Commission for Europe, *A Survey of the Economic Situation and Prospects of Europe* (Geneva, 1948), page 144.

increased mutual exchange of goods. Some of these agreements contemplate lags in deliveries by one of the partners and to that extent involve credits. In other cases, unforeseen lags in deliveries may also result in credits.

In the year ended 30 June 1948, the United States Government extended aid through grants and loans totalling $5,388 million, excluding amounts provided through the International Bank for Reconstruction and Development and the International Monetary Fund; this amount was somewhat below the $6,620 million made available in the preceding year. The figures for 1948 include expenditures for post-UNRRA relief to Austria, China, Greece and Italy; Greek-Turkish aid; and "interim aid" to Austria, France and Italy.

It is not possible from available data to show the total amount of assistance received during the year ended 30 June 1948 by each country from all of the sources described in the preceding paragraphs.[1] The distribution of United States Government grants and loans, which represented a very large share of the total, was as follows during the years ended 30 June 1947 and 1948 (in millions of United States dollars utilized):

Recipient	*Total*		*Grants*		*Loans and credits*	
	1947	*1948*	*1947*	*1948*	*1947*	*1948*
Total	6,620	5,388[a]	2,191	2,584	4,429	2,804
Europe	5,184	4,357	1,327	1,887	3,857	2,470
Countries participating in ERP	4,445	4,166	859	1,792	3,586	2,374
Other	735	96	464	—	271	96
Unallocable	4	95	4	95	—	—
American republics	132	79	8	6	124	73
Far East	1,072	766	670	658	402	108
Canada	—	140	—	—	—	140
All other countries	58	19	12	6	46	13
Unallocable	174	27	174	27	—	—

Source: United States Department of Commerce, *Survey of Current Business,* November 1948.

—nil.

[a] Includes shipments of $205 million under the European Recovery Program in the first half of 1948. Also includes assistance utilized by the middle of 1948 under the following programmes: Post-UNRRA Relief, $295 million, of a total appropriation of $350 million; Greek-Turkish aid, $255 million, including $217 million for Greece, about half of which was for civilian supplies; and interim aid, $570 million.

Private international investments have been limited. Direct investments abroad by the United States amounted to $666 million (net) in 1947 but were largely of a special nature. Over 70 per cent represented investments in the petroleum industry in Latin America and the Middle East and included $124 million for oil tankers registered and operating under foreign flags, although controlled by United States companies. Apart from the sale in 1947 of $250 million of Government-guaranteed dollar bonds of the International Bank for Reconstruction and Development and a loan to the Canadian Government of $150 million in September 1948 by a group of insurance companies in the United States, new flotations of securities in the United States for foreign account were on a very small scale. In the first half of 1948 there was an estimated gross outflow from the United States of private long-term capital of all types of only $386 million, compared with $779 million in the first half of 1947.[2] Aside from the United States, there was until recently a flow of capital, largely for speculative purposes and in the form of immigrants' funds, from the United Kingdom to other countries of the sterling area, particularly to

[1] For an account of the financing of the external deficit of the European countries in 1947, see *A Survey of the Economic Situation and Prospects of Europe,* pages 62 to 65.

[2] United States Department of Commerce, *Survey of Current Business,* September 1948, page 9. The figure for 1947 does not include the purchase of bonds from the International Bank for Reconstruction and Development.

the Union of South Africa. Private long-term investments of the traditional type, however, have been very small.

A new phase of post-war international aid was initiated with the passage of the United States Foreign Assistance Act of April 1948, which authorized financial assistance to Europe through the United States Economic Cooperation Administration (ECA) for a period of slightly more than four years.[1] Shortly afterwards the representatives of sixteen European countries and the occupying powers of western Germany established the Organization for European Economic Co-operation (OEEC) to carry out a multilateral agreement for economic co-operation under the European Recovery Program. The participating countries have also entered into bilateral agreements with the United States relating, among other things, to the mobilization and use of assets in the United States belonging to their nationals; consultation with the United States concerning local currency proceeds from sales of ECA supplies received as grants, in order that these "counterpart funds" be used for specific recovery purposes; and prevention of the export to non-participating countries of products incorporating materials received under the programme, if the United States would not permit similar exports in the interest of national security. The programme recommended by the OEEC in October 1948 for the distribution of aid to be received from the United States during the year ending 30 June 1949 includes provision for a portion of such aid to be conditional upon the furnishing of equivalent grants in their own currencies by certain participating countries to other participating countries which are incurring a deficit in the balance of trade with the former. The granting of this "conditional aid" is linked with an agreement for multilateral settlement, on a limited scale, of trade balances among the participating countries.

The plans developed under this programme have assumed that a considerable volume of trade would be re-established between eastern and western European countries, to assist in meeting the needs of the latter for imports of timber, coal and grain. The mutual benefits to be derived from an expansion of intra-European trade have been generally recognized.[2] The extent to which the export restrictions of western European countries and the United States, referred to above, may affect the expansion of intra-European trade and may limit eastern European imports from these sources was the subject of debate at the General Assembly in Paris at the end of 1948.[3]

The initial sum of $5,055 million was appropriated by the United States in June 1948 for grants and loans to the members of OEEC.[4] The funds were made available to the end of June 1949 but the total may be expended by the end of March 1949, if the President of the United States so requests. Although the bulk of the assistance is provided to recipient countries as an outright grant, $1,000 million must be in the form of loans; the latter includes up to $300 million which may be used to guarantee conversion into dollars until 1962 of the yield, or proceeds from liquidation, of new private United States investments approved by the United States and the participating country. By mid-November 1948, $4,356 million had been allotted among the participating countries of Europe, including loans amounting to $838 million. Authorizations to purchase represented $2,979 million; shipments at the end of October amounted to $1,200 million.

[1] The same legislation also authorized assistance of $463 million to China, of which $400 million was appropriated in June 1948. This included $125 million for military supplies and $275 million for aid similar to that provided under the European Recovery Program.

[2] In May 1948 the United Nations Economic Commission for Europe established an *ad hoc* Committee on Development and Trade to further this objective.

[3] See *Report of the Second Committee of the General Assembly,* first part of third session, United Nations document A/733, 22 November 1948 and *Summary Records of the Second Committee,* Nos. 69 and 71 to 76.

[4] Includes $55 million carried over from the interim aid programme.

Foreign Transactions of Selected Countries

In the UNITED STATES, the decline in exports and the increase in imports, referred to earlier, implied considerable reduction in the export surplus of that country; in the third quarter of 1948, it was only $1,165 million, against $2,061 million in the corresponding quarter of 1947. The United States export surplus to Europe in the first half of 1948 was only slightly less than in the last half of 1947, but considerably less than in the first half of that year. There was a relatively heavy reduction in the first half of 1948 in the export surplus to certain other areas, particularly Canada and Latin America, as is shown by the following figures for quarterly averages of balances of general trade (in millions of United States dollars):

Region	1937 average	1947 First half	1947 Third quarter	1947 Fourth quarter	1948 First half	1948 Third quarter
Europe	+128	+1,214	+1,044	+952	+888	+729
Latin America	− 16	+ 468	+ 420	+450	+248	+161
North America	+ 28	+ 269	+ 240	+207	+116	+ 73
Asia	− 96	+ 225	+ 206	+188	+190	+190
Africa	+ 15	+ 135	+ 119	+106	+ 97	+ 87
Oceania	+ 8	+ 18	+ 71	+ 57	− 3	− 18

Note: Figures represent quarterly export (+) or import (−) balances.

The table on the United States balance of payments in part II may be supplemented by the following figures showing the recorded movement of capital, including unilateral transfers, and gold (in millions of United States dollars):

Inward (+) or outward (−) movements on account of:	1947 First half	1947 Second half	1948 First half	1948 Third quarter
Total[a]	−6,554	−5,728	−4,158	−1,676
United States Government loans and grants	−6,356[b]	−2,419	−2,149	−1,087
Private United States capital and grants	− 846	− 838[c]	− 812	− 403
Foreign funds	+1,360	−1,020	− 323	+ 134
Net United States purchase of gold	− 712	−1,451	− 874	− 320

[a] These totals exceed the recorded deficits on account of goods and services by $632 million, $372 million, $580 million and $381 million in the respective periods, owing to "errors and omissions" in the account.

[b] Of which $3,063 million represents subscription to the International Monetary Fund and the International Bank for Reconstruction and Development, offset by an inward movement of foreign funds and the sale of gold.

[c] Of which $243 million represents purchases of debentures of the International Bank for Reconstruction and Development.

The withdrawal of foreign funds in the United States and the liquidation of gold assets fell from close to $2,500 million in the last six months of 1947 to about half that amount in the first six months of 1948, and the bulk of the surplus on current account was financed by loans and grants by the United States Government.

In Canada, the critical payment situation in 1947 led to the restriction of imports from the United States late in that year, and steps were taken to raise exports to that country. Arrangements were made by which British drawings on the remainder of the $1,250 million credit made available in 1946 were reduced, and a temporary Canadian credit of $300 million from the United States Export-Import Bank of Washington was negotiated. By the trade regulations referred to above, Canada succeeded in reducing the deficit with the United States; in the middle of 1948, Canada discontinued drawings on the Export-Import Bank credit and repaid the amount already drawn upon —$140 million—by a Government long-term loan marketed publicly in the United States. The passive trade balance with the United States, which had been $735 million during the first nine months of 1947, was reduced to $282 million during the corresponding period of 1948.

Latin American countries in general experienced a growing pressure on their balance of payments in the course of 1948, owing to the difficulty of achieving multilateral or triangular settlement of accounts, the reduced inflow of foreign funds and the exhaustion of exchange reserves; in many instances, restriction of imports was necessary.

ARGENTINA, despite extremely favourable barter terms of trade and a large surplus on account of current transactions with the outside world, has experienced increasing difficulties in its external payments. There was a global surplus on current account of some $200 million in 1947 and there are indications of a surplus in 1948 also. The surplus has been gained, however, in transactions with the sterling area and soft currency countries generally, and has been offset in large part by capital exports in the form of grants of credits, the purchase of British railway properties and the liquidation of debts. Current transactions with hard currency countries, on the other hand, have left a heavy deficit; in addition there were, at least in 1947, heavy purchases of United States direct investments in Argentina and repatriation of dollar debts. Large imports from the United States, particularly of capital equipment, have resulted from the plan for domestic economic development. At the same time, Argentine expectations of large dollar receipts through United States "offshore" purchases for European aid have not materialized. The Argentine Central Bank holdings of gold, which fell from $1,072 million at the end of 1946 to $322 million at the end of 1947, were further reduced to $196 million at the end of August 1948. In order to meet the situation, Argentina, in the course of the last half of 1948, established new import controls and exchange regulations, which lowered the value of the peso in relation to hard currencies, and adopted a number of other anti-inflationary measures.

BRAZIL'S foreign payment situation has been adversely affected by trends common to several Latin American countries. Confronted with the difficulty of financing the dollar deficit, in view of the impossibility of converting various soft currencies which could be acquired through exports, Brazil found it necessary in June 1947 to establish a new system of exchange controls more far-reaching than the system discontinued in 1946. In 1948 further trade restrictions were introduced in the form of licensing controls on imports as well as on exports.

In MEXICO the heavy import surplus and resulting decline in gold and foreign exchange reserves rendered it necessary to discontinue the sale of foreign exchange at established rates as from 22 July 1948. The new rates imply a *de facto* depreciation of the peso by about 30 per cent.

At the time of the UNITED KINGDOM crisis in external payments in the third quarter of 1947, the quantum of exports had reached its 1937 level. In the following months exports rose further and were almost a fourth above the 1937 level in the third quarter of 1948. Imports, on the other hand, have remained nearly a fourth below the quantum level of 1937.[1] Despite the reduction in the trade deficit and the substitution of a surplus for the deficit on account of "invisible" current items, owing chiefly to reduced Government expenditure abroad, there was still a heavy deficit on current account in the first half of 1948, as is shown by the following data on balances of current items (in millions of United States dollars):

Item	*1938*	*1946*	*1947*	*1948 First half*
Current items, total	− 342	−1,491	−2,539	−564
Merchandise[a]	−1,477	− 814	−1,765	−629
Government oversea expenditure	− 78	−1,173	− 834	−230
Interest and dividends	+ 856	+ 302	+ 201	+ 73
Services proper	+ 357	+ 194	− 141	+222

Source: Balance of Payments, 1946 to 1948 (Cmd. 7520).

Note: Active (+) or passive (−).

[a] Based in part on exchange control figures, not trade statistics. Imports are valued f.o.b.; foreign payments for import freights are included with services.

The chief improvement in the balance resulted from transactions with the Western Hemisphere, but there was also an increase in the active balance with the sterling area and continental Europe. The traditional deficit of the United Kingdom with Europe has been replaced by a surplus. The reduction in the deficit on current account, together with drawings upon gold and

[1] The changes in quantum are not fully reflected in the balance of trade, however, since import prices have tended to increase more than export prices. Comparison with data for other industrial countries in Europe suggests in fact that the rise in the quantum of United Kingdom exports has been attained at the sacrifice of prices fetched; see *A Survey of the Economic Situation and Prospects for Europe,* page 87.

dollar reserves and the remainder of the United States credit, and upon credits granted by members of the Commonwealth, helped to settle the external payments of the United Kingdom until the second quarter of 1948, when aid was forthcoming under the European Recovery Program. The dollar deficit in the year ending 30 June 1949, estimated at $1,263 million, is expected to be met through that programme; but of this sum, $312 million is conditional upon corresponding sterling grants by the United Kingdom to other participating countries. The following figures for the capital account in the United Kingdom balance of payments indicate how the deficit on current account was met to the middle of 1948 (in millions of United States dollars):

Item	*1946*	*1947*	*1948 First half*
Net capital inflow	+1,491	+2,539	+ 564
1. Change in gold and dollar resources:			
(*a*) Decrease (+) or increase (−) in gold and dollar holdings[a]	− 210	+ 612	+ 157
(*b*) United States credit received	+ 600	+2,849	+ 298
(*c*) Canadian credit received	+ 523	+ 423	+ 52
(*d*) Drawn on International Monetary Fund	—	+ 242	+ 105
(*e*) Union of South Africa gold loan	—	—	+ 322
(*f*) Receipts under ERP	—	—	+ 89
2. Increase(+) or decrease (−) in sterling claims on the United Kingdom:			
(*a*) Of sterling area countries	− 150	− 592	+ 467
(*b*) Of other countries	+ 306	+ 8	− 572
3. Other capital transactions:			
(*a*) With sterling area countries[b]	+ 137	− 737	− 584
(*b*) With other countries[c]	+ 285	− 266	+ 230

Source: Balance of Payments, 1946 to 1948 (Cmd. 7520).

Note: Inward capital movement (+) or outward (−).

— Nil.

[a] Includes gold and dollar subscriptions to the International Monetary Fund offset under item 3(*b*).

[b] Includes Australian and New Zealand gifts in 1947 (+$121 million). Besides capital movements proper, this item—as well as item 3(*b*)—includes funds taken abroad by emigrants.

[c] Includes repayment of United States and Canadian loans, −$129 million in 1946, −$145 million in 1947, and −$67 million in the first half of 1948. The item also includes the residual balance, due to errors and omissions in the whole account.

The gold and dollar holdings of the United Kingdom, the changes of which are recorded above, represent in fact the combined holdings of the sterling area, which is at present represented principally by the Commonwealth, with the exception of Canada and Newfoundland.[1] In 1947 there was a considerable redemption by the United Kingdom of sterling balances due to members of the sterling area, particularly India, but in the first half of 1948, the claims on the United Kingdom of other members of the sterling area increased. On the other hand, countries outside the sterling area, particularly France and Argentina, reduced their sterling balances.

The strain on the sterling area's gold and dollar pool has subsided to a certain extent since the attempt to restore convertibility of sterling balances resulting from current transactions was given up in August 1947. At that time, several members of the area restricted imports payable in dollars by tightening exchange controls. Further, the right of holders of "transferable accounts," under which certain countries outside the sterling area had been able to convert sterling resulting from current

[1] Egypt and Anglo-Egyptian Sudan ceased to be in the sterling area in July 1947; Palestine and Transjordan in February 1948; and the Faroe Islands in November 1948. Burma, Iraq and Iceland are still members.

transactions into dollars, was withdrawn.[1] Certain other steps were also taken in order to prevent the leakage of hard currency from the pool.

The deficit financed through London, of the sterling area (exclusive of the United Kingdom) with the dollar area, is estimated to have fallen from $1,133 million in 1947 to a tenth of that amount in the first half of 1948. This does not include dollar payments made directly—that is, not through London—by certain countries.[2]

Among other countries in the sterling area, the UNION OF SOUTH AFRICA has a passive balance of merchandise trade which has grown considerably with the heavy imports of the last few years and is no longer, as before the war, covered by domestic production of gold available for sale abroad. The stable gold price has naturally contributed to the deterioration in the balance of payments of the Union of South Africa and has resulted in a decline in sterling holdings and a loss of gold. In order to counteract these changes, import restrictions on non-essential goods, regardless of origin, and of all goods from countries outside the sterling area, were imposed in November 1948.

AUSTRALIA's trade deficit with the United States and Canada rose from $11 million in the financial year ended June 1947 to $134 million in the subsequent twelve months. At the same time, Australia had a global surplus on current account. Since almost all Australian transactions are financed through London, and since there was also an inflow of capital from London, a considerable increase in the Australian sterling holdings has resulted. The Australian Prime Minister has stated that imports payable in dollars will be much reduced in the financial year 1948-49 and that efforts are being made to increase Australia's dollar earnings.

The NEW ZEALAND pound was appreciated by 25 per cent to parity with sterling in August 1948, after having been at a discount for 19 years. The resulting loss to exporters whose products are sold for sterling was reduced by an increase of 15 to 19 per cent in the contractual sterling prices for dairy products sold to the United Kingdom. The New Zealand deficit with the dollar area was about $70 million in 1947 but is estimated to have fallen to about half that figure in 1948. The decline has been due to restrictions on imports rather than to market conditions.

The combined external trade of INDIA AND PAKISTAN has in recent years been characterized by the substitution of an import balance for the traditional export surplus. Exports have declined while imports have been at a relatively high level, owing to heavy purchases of capital equipment and the necessity of buying considerable quantities of cereals from abroad. The liquidation of external debts during the war, the resulting decline in interest payments abroad and the possibility of drawing upon Indian sterling claims on the United Kingdom have rendered possible this change in the trade balance. The pace at which sterling balances were released has slowed down in 1948, however, and the balances that are released can no longer be freely converted to dollars.

The balance of payment situation of several countries of WESTERN and CENTRAL EUROPE improved during 1948. BELGIUM's deficit with the dollar area was reduced and appears to have been more than covered by the gold and dollar exchange that accrued to Belgium through its payments agreements and by United States loans and credits. Belgium's sterling deficit was also reduced in the course of 1948. The strength of the external payment position of Belgium—due in large part to its ability to deliver goods, such as steel and coal, that are high in demand—has made itself felt particularly in relations with countries which absorb a considerable share of Belgian exports and are debtors to Belgium in their current transactions, such as France, the Netherlands and the United Kingdom. The NETHERLANDS payment position, though less favourable than that of Belgium, has improved with the increase in domestic production accompanied by a rise in exports; the florin became less soft in the course of 1948. The anticipated dollar deficit during the twelve months beginning 1 July 1948 is approximately offset by American

[1] The degree of convertibility of sterling claims earned by various countries outside the sterling area differs considerably. The so-called "American account countries" (the United States, the Philippines and a number of countries in Central America and northern South America) can convert sterling derived from current transactions without limitation. The "transferable account countries" (at present Chile, Czechoslovakia, Egypt, Ethiopia, Finland, Indonesia, Iran, Italy, the Netherlands, Norway, Poland, Siam, Spain, Anglo-Egyptian Sudan, Sweden and the Union of Soviet Socialist Republics) were able before the autumn of 1947 to draw upon sterling claims, resulting from current transactions, for current payments only. Other countries, again, have been subject to more restricted rights of conversion or have to keep the sterling currency earned until it can be liquidated through transactions with countries of the sterling area.

[2] Particularly by the Union of South Africa which occupies a special position in the area.

aid. The SWISS gold and foreign exchange reserves have not been greatly affected by heavy trade deficits during the past two years, and the Swiss franc remains the world's hardest currency. DENMARK'S dollar deficit declined during 1948 and its deficit with the sterling area turned into a surplus, owing to larger exports and higher export prices. NORWAY also improved its payment position in the year.

The balance of payment position of ITALY, after having deteriorated in the autumn of 1947, has improved as a result of the deflationary policy applied since that time, to a certain extent at the expense of domestic recovery. The Italian deficit with the United States has declined; during the early part of 1948, furthermore, Italy was able to draw upon accumulated sterling balances. In GERMANY, a fixed exchange rate for the German mark was established in the United States and United Kingdom zones in April and monetary reforms were introduced in June 1948. Exports of those zones rose two to three times (in terms of dollars) from the autumn of 1947 to the autumn of 1948; various trade agreements involving that area indicate a further increase. Imports have been financed through expenditures of the occupying powers, contributions from the United States Economic Cooperation Administration and from dollar assets accumulated in favour of the area. Germany's external trade in 1948, however, still represented a fraction of its pre-war volume; raw materials, particularly coal, timber and scrap, were the principal exports. The share of manufactured articles in the exports of the United States and United Kingdom zones, for example, represented approximately a fourth, while the corresponding share in the export of Germany as a whole before the war was about three-fourths.

Several other countries of western and central Europe have experienced continued or increased difficulties in their external transactions in 1948. The decline in the official gold and foreign exchange holdings of FRANCE to a very low level, since the middle of 1947, placed that country in a difficult situation, which was met through interim aid afforded by the United States and, subsequently, by the United Kingdom. The exchange value of the French franc was allowed to depreciate from the beginning of 1948 until the middle of November by about 55 to 62 per cent. The position in relation to the sterling area became critical in the second quarter of the year and imports from that area had to be reduced. The payment position has also been unfavourably affected by the accumulation of foreign currency holdings in private hands. On the other hand, the French deficit with the dollar area declined sharply in 1948 and the income from foreign tourists increased. The crop of 1948 may permit a reduction of cereal imports that, together with assistance under the European Recovery Program, should help to bridge the gap in the balance of payments.

The balance of payment difficulties of SWEDEN were not overcome by the severe import restrictions introduced in 1947. At the prevailing exchange rates there was a natural tendency to export to soft-currency countries willing to pay relatively high prices and to import from hard-currency countries. New restrictions on certain imports were introduced in the middle of 1948; imports payable in dollars during the last half of that year were to be reduced to $50 million, compared with more than $250 million of imports from the United States alone in the last half of 1947. The traditional surplus with the United Kingdom has been replaced by a deficit. Certain goods that used to be regarded as essential imports can no longer be acquired from abroad or have to be bought from soft-currency countries at higher prices.

During 1947 and the first half of 1948, most countries of EASTERN EUROPE (other than the USSR) had import surpluses, chiefly because of the necessity of continuing heavy imports of food while domestic food production remained far below pre-war levels. Although exports expanded rapidly, they were not sufficient to finance imports both of foodstuffs and of necessary raw materials and equipment for industry, particularly in Czechoslovakia and Poland, which had been receiving such supplies from UNRRA. To some extent the import surpluses of several of these countries represented food and raw materials received on credit from the Union of Soviet Socialist Republics. Import surpluses were in general compensated for by postponement of exports under bilateral barter agreements, which regulated a large share of the foreign trade of eastern European countries.

During the second half of 1948, several countries of eastern Europe were able to reduce their import balances or even to achieve small export surpluses, through the drastic reduction of imports and through the expansion of exports. Payment difficulties arose in some countries because of their inability to finance import surpluses from the sterling and dollar areas, although they had a temporary excess of exports over imports to other countries under bilateral barter agreements.

Several long-term barter agreements concluded in 1948 among eastern European countries aim at co-ordinating their exchanges of goods with their respective plans for reconstruction and development. In January 1949, a Council for Economic Mutual Assistance was established by Bulgaria, Czechoslovakia, Hungary, Poland, Romania and the Union of Soviet Socialist Republics, having as its task, among other things, "the rendering of mutual assistance in regard to raw materials, foodstuffs, machinery, equipment, etc." Several agreements concluded with western European countries, particularly near the end of 1948, contemplate a higher level of trade with this area.

The UNION OF SOVIET SOCIALIST REPUBLICS appears to have had an active balance of trade in 1948. United States net imports from that country during the first eleven months of 1948 amounted to about $45 million. Trade of the Union of Soviet Socialist Republics with other countries of eastern Europe was stimulated by the extension of credits and their repayment, in most instances, in kind. Trade agreements providing for an increased exchange of goods were concluded by the Union of Soviet Socialist Republics in 1947 and 1948 with the United Kingdom, the Low Countries and the Scandinavian countries.

POLAND'S balance of trade remained passive during the first half of 1948, despite a remarkable increase in the volume of exports. The rise in exports, chiefly of coal, could not compensate for the increase in purchases of grain, raw materials and industrial equipment. Poland's trade deficit with the United States in 1948 amounted to $50 million. A considerable part of its global import surplus represented 200,000 tons of grain received on credit from the Union of Soviet Socialist Republics in 1948. The trade deficit with that country was discontinued in the latter part of the year owing to an increase in exports. During 1948, Poland concluded a barter agreement with the Union of Soviet Socialist Republics, providing for an exchange of goods amounting to $500 million during the next five years, and a credit agreement making $450 million available during the period 1948 to 1952 for purchases of capital equipment in the Union of Soviet Socialist Republics. Agreements were also concluded during 1948 with countries of western Europe, providing for an increased exchange of goods, particularly with the United Kingdom.

The quantum of CZECHOSLOVAKIA'S export trade expanded to reach, in the first half of 1948, a level approximating 70 per cent that of 1937. The quantum of imports, however, rose to 107 per cent of the 1937 level, owing chiefly to unusually large imports of foodstuffs and fodder made necessary by the poor crops of 1947. Czechoslovakia's global imports and exports roughly balanced in 1947. The large import surpluses from the United States and the United Kingdom during that year were largely offset by surpluses with other areas. During the first half of 1948, there was an import balance financed largely by a loan from the Union of Soviet Socialist Republics. During the second half of the year, a large volume of goods was diverted from the domestic to the export market, and imports were reduced, so that for the year as a whole the global import balance was virtually eliminated. There was, however, a considerable trade deficit with the United Kingdom.

In CHINA, as a result of the disruption of normal economic activities and hyper-inflation, exports have been reduced to a very low level. Imports have been financed in part by foreign assistance. Official foreign exchange and gold holdings declined by half in the course of the first six months of 1948 and new import restrictions have had to be established, despite the shortage of raw materials for manufacturing industries.

In several other countries of the FAR EAST where trade has in recent years lagged behind that of the world as a whole, owing to the destruction wrought by the war and subsequent disturbances, there was a marked recovery of exports in the course of 1948. Thus, in INDONESIA, following a rapid increase in the production of tin, mineral oil and rubber, exports have grown rapidly and the trade deficit, financed in part by the influx of capital from the Netherlands, has tended to decline. Rice exports from certain countries of south-eastern Asia were also expanded in 1948. In JAPAN, the control of foreign trade by the occupation authorities was relaxed in the autumn of 1947. Exports of cotton manufactures and other goods have since been increased despite difficulties due to monetary inflation and the complicated system of multiple exchange rates. The quantum of total exports remains, however, at a much lower level than before the war. Though imports are also on a reduced scale, consisting largely of cereals and raw cotton, there is a heavy excess of imports financed by United States funds.

The imports of the PHILIPPINES have swelled to several times their pre-war size, largely owing to rehabilitation grants and other payments from the United States. The bulk of the rise in imports represented consumer goods. The quantum of exports during 1948 was at a higher level, in relation to pre-war years, than in the majority of Asian countries.

The tendency of growth in the trade of the countries of the MIDDLE EAST with each other, that prevailed during the war, has subsided with the re-establishment of business connexions with more distant parts of the world. Trade with the United States and the United Kingdom has grown at the expense of that conducted before the war with Germany and Japan. Italian trade with the Middle East, which was discontinued during the war, has recently expanded. In particular, the United States has become an important supplier of goods. Trade with the United States and Canada tends to result in an import balance, while there is frequently an export balance to other countries, with the exception of the United Kingdom and, in some cases, France. The import balances with the United States have been met to some extent by governmental loans from the United States, and also by the inflow of private capital for direct investments, particularly for the production of mineral oil in countries such as Saudi Arabia and Iran. Net imports from the United Kingdom have been financed in part by the release of sterling assets earned by countries within the area during the war.

* * *

Part I of this report has presented a general analysis of the major economic changes which occurred during 1948 in the world supply of industrial and agricultural commodities, in the general post-war inflationary situation and in international trade and finance. It was pointed out that the 1949 food supply situation will be much better than that of the preceding year because of the almost universally good harvests of 1948; that the shortages of certain key commodities in industry were considerably mitigated during 1948; and that further increases in industrial production will depend in larger measure than heretofore on modernization of plant and equipment, on increased labour productivity and on further capital investment in industry and agriculture. Inflationary pressure is not likely, however, to be further aggravated during 1949.

This part of the report has also noted the need for a thorough analysis of the new trading relationships which are emerging as a result of war-time developments and post-war economic plans, in order to provide a basis for the formulation of practical programmes of international action for increasing the world's supply of goods for the growing world population.

In the interest of presenting a concise view of the most significant of these changes, details and supporting statistical data have been kept to a minimum. A fuller understanding of many of the problems dealt with, however, requires the presentation of certain aspects of the world economic situation in greater detail. To meet these needs, there is provided in part II of this report a considerable volume of detailed data concerning industrial and agricultural production, imports and exports, merchandise trade balances, prices, cost of living, employment and other aspects of the economic situation. Where subjects have been analysed at some length in part I, textual discussion in part II has been omitted or limited to aspects not fully covered earlier.

Part II

SELECTED WORLD ECONOMIC INDICES

GENERAL TRENDS OF INDUSTRIAL PRODUCTION AND EMPLOYMENT

World *industrial output* in the first nine months of 1948 exceeded production in the corresponding period of 1947 by 11 per cent but the average monthly rate of the first nine months of 1948 was only four per cent above that of the last quarter of 1947. General indices of industrial production for individual countries are provided in table 1 below, and illustrated in chart 1.[1]

Table 1. Industrial Production[a]: World and National Indices
(1937 average = 100)

Country	1938	1946	1947 Year	1947 Jan-Sept[b]	1947 Oct-Dec	1948 Jan-Sept[b]
WORLD	93	107	121	119	127	132
World excluding United States	102	81	94	92	101	109
World excluding United States, Germany and Japan	100	96	111	109	119	127
Austria[c]	105	40	48	44	54	68
Belgium	81	71	86	83	91	93
Bulgaria	108	122	148	133	171	154
Canada	95	147	162	161	166	167
Chile	97	129	136	136	145	140
Czechoslovakia	90	....	83	81	90	93
Denmark	100	101	116	113	122	122
Finland	100	70	86	82	95	....
France	93	71	86	86	87	99
Germany: U. K. and U. S. zones	108	28	32	31	37	47
USSR zone[c]	108	41[d]	....	....	56[e]	....
Greece	109	52	66	64	71	67
Ireland	97	107	113	106	126	128
Italy	99	....	77	73	80	78
Japan	107	20	25	24	26	31
Mexico	99	125	129	131	126	126
Netherlands	102	70	91	87	103	106
Norway	100	100	115	113	120	123
Poland[f]	108	82	109	104	124	139
Sweden	101	136	139	138	139	143
Union of Soviet Socialist Republics[c]	111[g]	....	....	....	145[h]	165[h]
United Kingdom	93	91	98	95	108	109
United States	79	150	165	164	170	169

[a] Mining and manufacturing production, excluding building and public utilities.

[b] The figures for Austria, Bulgaria, Chile, Ireland, Italy, Mexico and Poland are based on the first six, seven or eight months of 1948 since data for later months were not available; in these cases the corresponding period of 1947 is used.

[c] Including electricity and gas.

[d] July-December.

[e] At end of 1947.

[f] 1937 and 1938: pre-war territory.

[g] Based on index numbers of industrial production in League of Nations, *Statistical Yearbook, 1941-42* (Geneva, 1943), table 89.

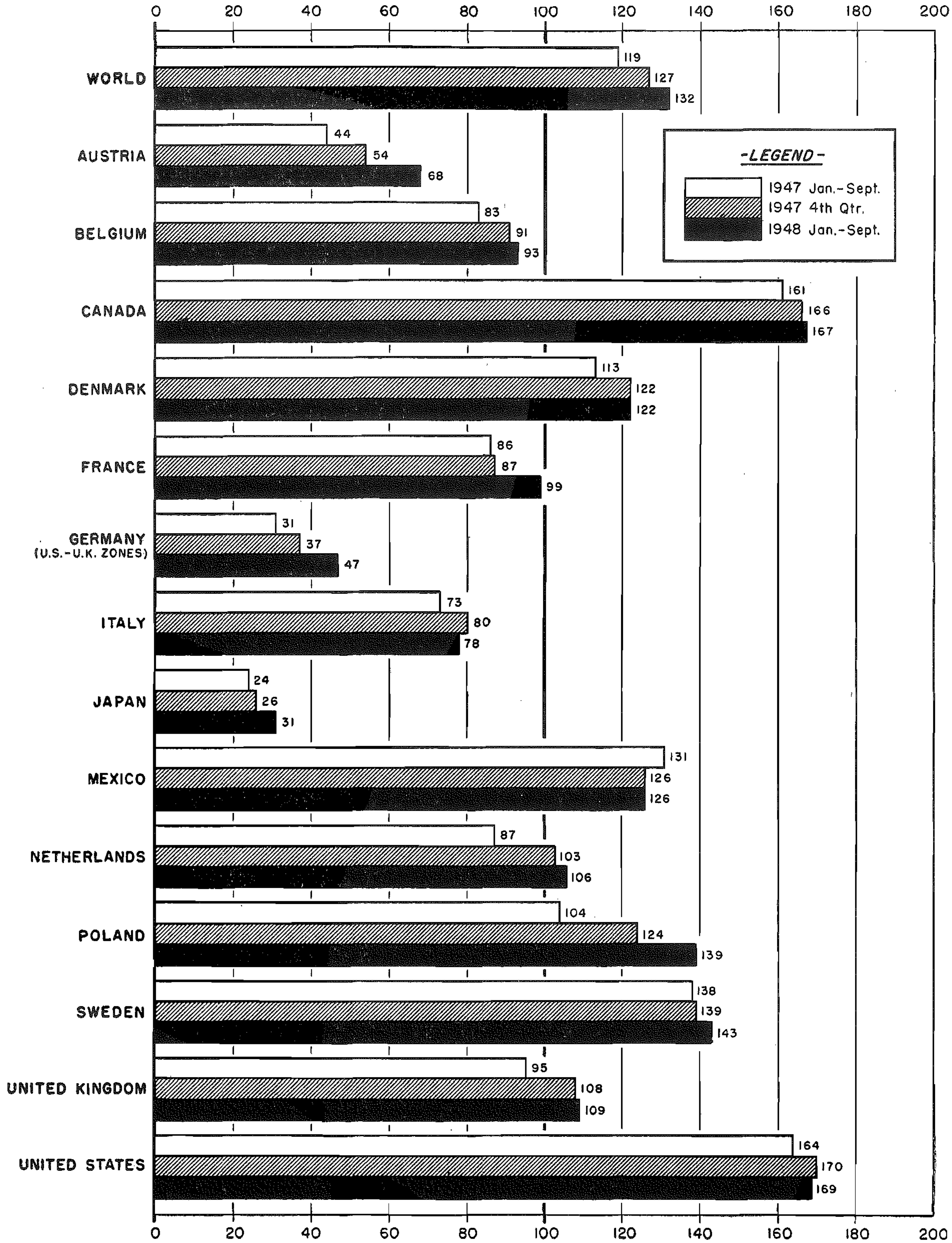
[h] Based on official announcements of the State Planning Commission of the Union of Soviet Socialist Republics which compare the levels in these periods with that of 1940. The link with 1937 was made by means of the series referred to in footnote [g] above.

[1]*Note:* In all tables in this part of the report, percentages have been computed from unrounded data and may differ slightly from calculations based on rounded data appearing in the tables and charts. The following symbols have been used:

- .... Not available.
- — Nil.
- 0.0 Negligible, or less than half the final digit shown.
- . Full stop is used to indicate decimals.
- , Comma is used to distinguish thousands and millions.
- / Slash indicates crop year.

Chart 1. Trends in Industrial Production for Selected Countries

1937 = 100



Employment in manufacturing industries in1948 continued well above pre-war levels, as shown in table 2, and was in general higher than in 1947. The rate of increase was somewhat less than from 1946 to 1947 as full employment levels were approached in many countries.

Table 2. Employment: National Indices for Manufacturing Industries (1937=100[a])

Country	*1938*	*1946*	*1947*	*1948 (based on 9 months)*[b]
Argentina	104	137	147	148
Australia	104	145	153	157
Austria[c]	....	99	119	127
Canada	97	163	174	178
Chile	106	132	142	138
Czechoslovakia	....	85	94	99
Denmark	99	115	129	135
Finland	....	114	123	129
France	103	97	106	111
Ireland	100	110	118	123
Luxembourg[c]	102	88	92	98
Norway	....	111	124	130
Sweden	101	124	124	124
Switzerland	100	123	133	136
Union of South Africa	104	142	148	154
United Kingdom	95	98	106	109
United States	85	136	149	151
Indices with post-war base:[a]				
Germany[d]:				
U. K. zone	....	....	104	109
U. S. zone	....	....	107	116
Hungary	....	94	110	116
Japan	....	....	99[e]	91
Netherlands	....	85	100	110

[a] Base period other than 1937: Finland and Norway, 1941; Germany, December 1946; Hungary, January 1947; Japan, October 1947; Netherlands 1947.

[b] Based on fewer than nine months in a number of cases; in particular, Argentina, Germany, Ireland, Norway —three months; Chile and Netherlands—five months.

[c] General index covering wage earners and salaried employees in mining, manufacturing, construction, transport, commerce, personal and public services.

[d] Including agriculture.

[e] October-December.

No *unemployment* of significant proportions appeared during 1948 in the countries listed in table 3, except in Italy and Germany. In some countries, however, particularly in Belgium and Hungary, the number of unemployed increased during the year. High levels of employment continued to be accompanied by shortages in certain skilled occupations.

Table 3. Unemployment: National Totals
(monthly averages in thousands)

Country	*1937*	*1938*[a]	*1947*	*1948 (based on 9 months)*[b]
Australia	41.8	40.1	8.4	6.7
Austria	321.0	244.0	52.8	48.4
Belgium	126.5	174.0	67.7	111.8
Bulgaria	....	31.4	11.2	....
Canada	733.0	875.0	98.0	101.7
Chile	3.2	4.6	4.9	4.6
Denmark	....	....	28.8	24.1
Finland	3.7	3.6	4.2	5.6
France	354.6	373.6	7.4	14.3
Germany:				
French zone	....	....	45.5	20.8
U. K. zone	....	....	273.1	253.9
U. S. zone	....	....	358.1	256.8
Hungary	15.2	17.8	79.6	107.1
India[c]	....	....	326.6	217.4
Ireland	....	55.2	33.3	35.7
Italy	....	....	2,023.0	2,239.7
Japan	....	....	440.0[d]	273.0
Netherlands	324.0	303.4	30.7	26.9
New Zealand	....	6.4	0.0	0.0
Nigeria	....	....	6.9	6.4
Norway	....	....	8.5	10.0
Poland[e]	375.1	347.5	69.4	76.3
Puerto Rico	....	66.0	76.0	66.0
Spain	....	474.8	138.8	112.3
Sweden[f]	67.4	67.0	24.4	24.3
Switzerland	57.9	52.6	3.5	2.1
United Kingdom	....	1,786.5	281.1	324.8
United States	7,273.0	9,910.0	2,142.0	2,150.0

[a] Bulgaria, Ireland, New Zealand—1939; Puerto Rico and Spain—1940.

[b] Based on fewer than nine months in a number of cases; in particular, Australia (five months).

[c] Excludes Pakistan beginning September 1947.

[d] October-December.

[e] Pre-war territory, 1937 and 1938.

[f] Includes agricultural workers, 1947 and 1948.

FOOD PRODUCTION

The prospects for substantially larger supplies of foodstuffs in 1949, as a result of the generally excellent harvests in the summer of 1948, are described in some detail in part I of this report. The 1948 world bread grain crop is estimated to be about 14 per cent above that of the preceding year. Further data on grain production for individual countries are provided in table 5.

The food situation in various areas of the world prior to the 1948 harvest is summarized in table 4, which contains indices of total food production in the crop years 1946/47 and 1947/48.

Table 4. **Food Production: Indices for World (excluding USSR) by Area**

(1934-38=100[a])

Area	*1946/47*	*1947/48*
World (excluding USSR)	95	96
Far East	90	93
Europe (excluding USSR)	76	74
United States and Canada	135	129
Latin America	114	120
Australia and New Zealand	96	111

Source: Food and Agriculture Organization of the United Nations, *The State of Food and Agriculture—1948, A Survey of World Conditions and Prospects* (Washington, D. C., September, 1948).

[a] Base period other than 1934-38: United States, Canada and New Zealand, 1935-39; Australia, 1936/37-1938/39.

Table 5. Grain Production: Regional and National Indices

(1934–1938 = 100)

Country	All grains		Bread grains[a]		Coarse grains[a]	
	1947/48	*1948/49*	*1947/48*	*1948/49*	*1947/48*	*1948/49*
Africa	107	....	87	....	116	....
Algeria[b]	52	....	57	129	47	....
Egypt	86	88	88	91	85	85
Morocco	124	....	86	99	141	....
Tunisia	....	....	65	78	....	....
Union of South Africa[c]	....	....	110	114	....	....
Asia (excluding China and USSR)	89	....	79	93	100	....
India[d]	57	63	49	54	91	98
Iran[d]	100	90	102	91	97	88
Iraq	88	....	63	68	110	....
Japan	66	81	59	73	71	88
Lebanon	108	109	143	160	66	48
Syria	77	108	88	120	63	91
Turkey	84	115	88	123	77	103
Europe (excluding USSR)	67	....	58	83	78	....
Austria	39	....	40	70	37	....
Belgium	61	68	32	60	93	77
Bulgaria	60	....	51	....	71	....
Czechoslovakia	60	76	60	75	60	76
Denmark	88	103	36	97	103	104
Finland	75	97	81	93	71	100
France	51	86	41	89	67	80
Germany	61	....	60	....	63	....
Greece	80	98	76	100	87	95
Hungary	64	106	54	79	73	131
Ireland	121	....	179	....	107	....
Italy	66	84	65	85	68	81
Luxembourg	72	82	33	85	111	79
Netherlands	73	81	55	74	108	96
Norway	70	91	72	115	70	86
Poland	47	66	46	67	48	63
Portugal	94	97	80	71	112	131
Romania[e]	95	....	49	....	122	....
Spain	69	....	70	77	67	....
Sweden	54	76	49	91	58	65
Switzerland	152	161	110	124	416	387
United Kingdom	130	161	98	135	150	176
Latin America	109	....	111	....	108	....
Argentina	96	....	104	....	89	....
Chile	116	....	125	....	90	....
Mexico	155	174	124	146	161	179
Peru	....	....	125	189	....	....
Uruguay	112	....	116	....	105	....
North America	131	167	170	169	118	166
Canada	119	144	129	154	109	132
United States	133	170	184	174	118	170
Oceania	148	....	143	....	176	....
Australia	151	....	146	....	181	....
New Zealand	87	....	67	....	135	....

Source: Food and Agriculture Organization of the United Nations, *Monthly Bulletin of Food and Agricultural Statistics,* November 1948.

[a] Bread grains include wheat and rye; coarse grains include barley, oats and maize.

[b] Bread grains: not including rye; coarse grains: not including maize.

[c] Crops grown by Europeans only.

[d] Coarse grains: barley only.

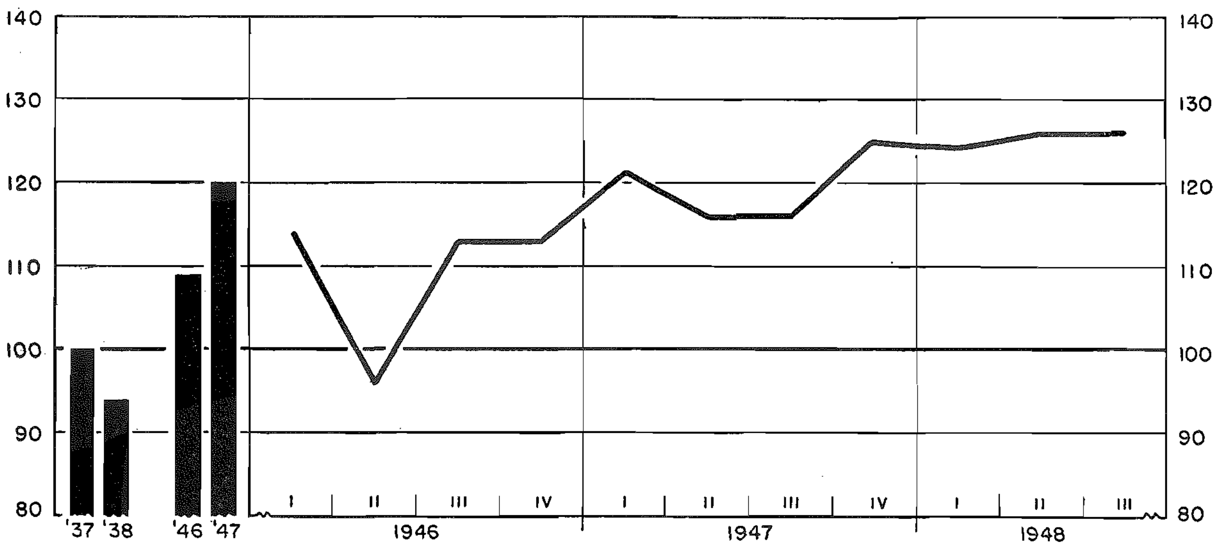
[e] Coarse grains: not including oats.

FUEL AND ENERGY OUTPUT

The average monthly output of fuel and energy (outside the USSR) in the first nine months of 1948 registered a gain of six per cent over that of the corresponding period of 1947. The continuing increase in the world output of fuel and energy during the first nine months of 1948, particularly outside the United States, is indicated in table 6. The post-war acceleration of long-term trends towards increasing use of sources of fuel and energy other than coal, which has been noted in part 1, is evident from the figures in tables 7, 8 and 9.

Chart 2. Trends in World Production of Fuel and Energy*

1937 = 100



* Excluding USSR.

Table 6. Fuel and Energy Production[a]: Indices for World (excluding USSR) and Selected Areas

Item	*World*	*Europe*	*United States*	*Other areas*
Percentage of 1937 production				
1938	94	99	87	103
1946	109	77	132	118
1947	120	84	145	130
1948 (based on 9 months)	125	91	146	146
Percentage of production in corresponding quarter of 1947				
1948 quarters:				
First	102	109	96	112
Second	108	111	104	113
Third	108	110	106	114

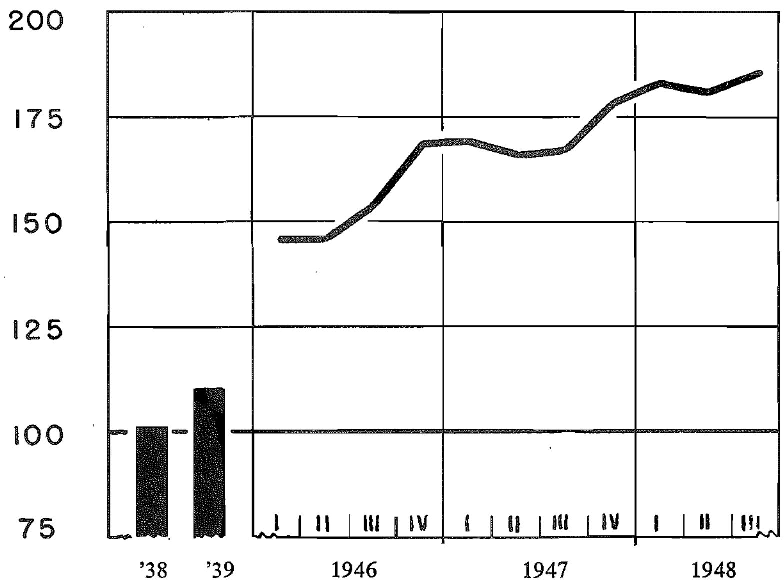
[a] Coal, lignite, crude petroleum, hydro-electric energy and natural gas.

Electric Power

The output of electric power continued to climb steeply, as shown in chart 3; for the first nine months of 1948 it was about 83 per cent above pre-war production for the world as a whole (excluding the USSR), according to data in table 7, below.

Chart 3. Trends in World Production of Electricity *

1937=100



* Excluding USSR.

Table 7. Electricity Production: Indices for World (excluding USSR) and Selected Countries (based on power generated by public utilities)

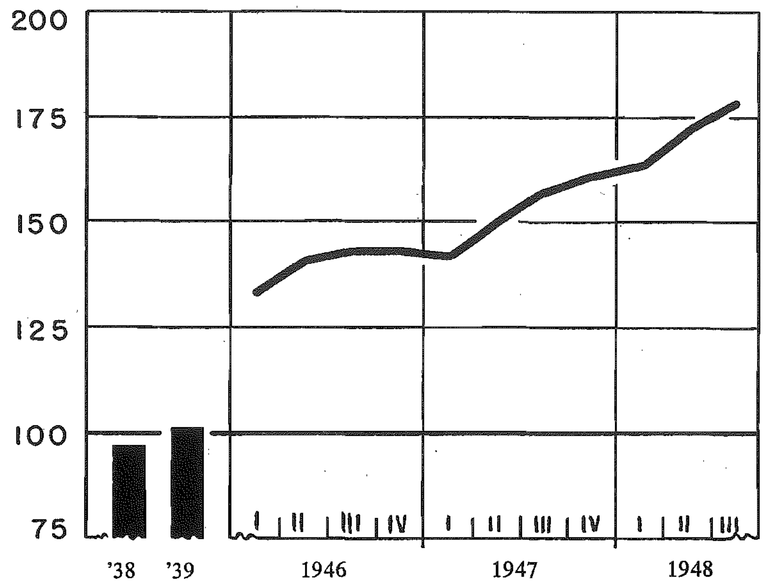
Item	*World*	*United States*	*Canada*	*United Kingdom*	*Other countries*
Percentage of 1937 production					
1938	101	96	94	106	105
1946	153	188	150	180	124
1947	170	215	163	186	136
1948 (based on 9 months)	183	234	161	195	147
Percentage of production in corresponding quarter of 1947[a]					
1948 quarters:					
First	108	111	97	103	107
Second	109	110	101	114	108
Third	110	111	100	115	111
Percentage distribution of world production					
1937	100	36.1	8.4	7.0	48.5
1947	100	45.6	8.0	7.6	38.8
1948 (9 months)	100	46.2	7.4	7.4	39.0

[a] Union of Soviet Socialist Republics, quarterly production in 1948 as percentage of corresponding quarter of 1947: first 118, second 116, third 115.

Crude Petroleum

Crude petroleum production (outside the USSR), which in 1947 was more than 50 per cent above the pre-war level, increased in 1948 to more than 70 per cent above that level, as shown in table 8. The share in world output of Middle East production, which in 1937 amounted to 6.3 per cent, was almost double the pre-war share in the first nine months of 1948 as a result of the notable expansion of output in that region. In addition to a further substantial increase in Venezuelan production, the output of petroleum in areas outside of the United States, the Middle East, Venezuela and the Union of Soviet Socialist Republics increased by more than one-fifth over that of 1947.

Chart 4. Trends in World Production of Petroleum *
1937 = 100



* Excluding USSR.

Table 8. Crude Petroleum Production: Indices for World and Selected Countries

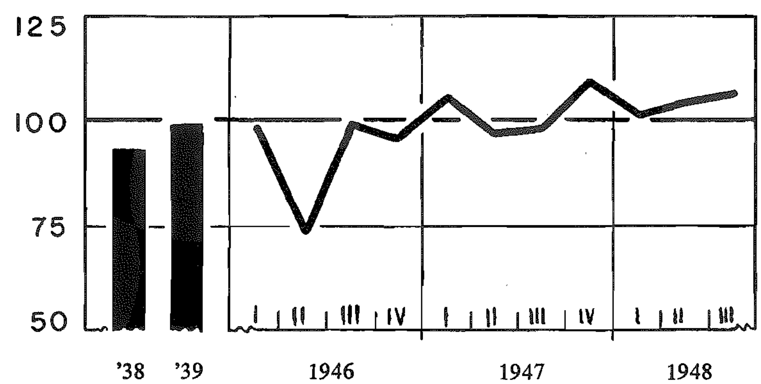
Item	*World*	*United States*	*Venezuela*	*Middle East*	*Other countries (excl. USSR)*	*USSR*
Percentage of 1937 production (excluding USSR)						
1938	97	95	101	102	99	
1946	140	136	201	218	80	
1947	152	145	225	247	89	
1948 (based on 9 months)	171	156	250	336	108	
Percentage of production in corresponding quarter of 1947 (including USSR)						
1948 quarters:						
First	116	113	113	128	117	124
Second	115	109	115	143	122	115
Third	113	106	112	145	128	109
Percentage distribution of world production (excluding USSR)						
1937	100	68.7	11.0	6.3	14.0	
1947	100	65.4	16.3	10.1	8.2	
1948 (9 months)	100	62.7	16.2	12.3	8.8	

Coal

The marked recovery of coal production during 1948 is reflected in table 9 and chart 5. By the autumn of 1948, world production of coal had reached near-record levels, thereby considerably alleviating the critical shortage of this commodity, which has characterized the post-war period, particularly in Europe. World production of coal during the year ended 30 September 1948 is estimated at more than 1,520 million metric tons—about 10 per cent above the 1937 level, and about three per cent above that of 1947. The largest part of the increase was due to the recovery of coal production in Europe, where 1948 output (excluding the USSR) reached 88 per cent of the pre-war level and represented a gain of eight per cent over the preceding year.

The outstanding developments in Europe were the increase of production in practically all coal-producing countries, substantial increases in amounts available for export from European sources and, as a consequence, marked increases in supplies in most countries and a substantial decline in imports from outside Europe, particularly from the United States.

Chart 5. Trends in World Production of Coal and Lignite *
1937=100



* Excluding USSR.

Table 9. Coal and Lignite Production[a]: Indices for World and Selected Countries

Item	*World*	*United States*	*United Kingdom*	*Other countries (excl. USSR)*	*USSR*
Percentage of 1937 production (excluding USSR)					
1938	93	79	94	103	
1946	92	120	79	75	
1947	102	136	82	84	
1948 (based on 9 months)	104	128	85	92	
Percentage of production in corresponding quarter of 1947 (including USSR)					
1948 quarters:					
First	100	84	105	111	120
Second	107	99	109	114	113
Third	108	106	107	109	114
Percentage distribution of world production (excluding USSR)					
1937	100	36.0	19.5	44.5	
1947	100	47.7	15.6	36.7	
1948 (9 months)	100	44.3	16.0	39.7	

[a] Includes lignite and brown coal converted to coal equivalent.

Coal (*continued*)

The net exports of Germany, Poland and the United Kingdom in the year ended 30 September 1948, from their considerably larger coal supplies, amounted to about 45 million metric tons; this was 16 million tons, or more than 50 per cent, higher than exports of the preceding year. Exports of the United Kingdom, which had been negligible since the end of the war, were resumed on a significant scale during the year and amounted to over seven million tons; pre-war exports were normally in excess of 40 million tons. Polish exports during the year ended 30 September 1948 rose to 25 million tons, an increase of about five million tons, or approximately 25 per cent over 1947 exports; exports in 1948 represented more than one-third of total coal production in that country. The net exports of Germany during the year were 12.5 million tons —roughly 50 per cent higher than in 1947. Despite these substantial increases in amounts available for export during 1948, the total volume of coal exports from European sources was still well below half the pre-war volume.

As a consequence, Europe remained dependent on imports from abroad, chiefly from the United States, for a substantial portion of its coal import requirements in 1948. United States exports to Europe in the year ended 30 September 1948 amounted to approximately 23 million tons, compared with 37 million tons in 1947. Thus a considerable advance over 1947 was made towards restoring European self-sufficiency in coal.

The continuing trend towards decreased dependence of Europe on imports from abroad is reflected in the declining volume of imports from the United States in succeeding quarters of the past year, as indicated below (in millions of metric tons):

Quarter ended	*Annual rate of United States exports to Europe*
31 December 1947	39
31 March 1948	23
30 June 1948	16
30 September 1948	16

In September and October 1948, United States exports to Europe dropped below an annual rate of 12 million tons.

Some upturn in 1949 in European imports from the United States appears possible in the light of allocations for the first quarter of 1949 by the Coal Committee of the Economic Commission for Europe. The import deficit to be met from sources outside of Europe in the first quarter of 1949 is stated to be at the annual rate of 21 million tons; it is probable that the largest part of these imports will be provided under the European Recovery Program. The Coal Committee has made allocations of European coal for the first quarter of 1949 at the annual rate of 49 million tons—the largest allocations to date—but has been informed that about a million tons of coal available in Europe is unlikely to be taken up because of price, currency and transport difficulties.

United States coal production during 1948 declined slightly from the 1947 level, when it was 30 per cent above that of 1937. Exports to Europe declined significantly during this period, as noted previously, but exports to other areas remained unchanged. Canada continued to receive a large part of its coal requirements from the United States during 1948—an amount very substantially in excess of its pre-war imports—and accounted for the major share of United States exports to non-European areas. In the third quarter of 1948, United States coal stocks increased considerably; they reached over 60 million tons in September, the highest in any month since the end of the war, reflecting decreases both in internal requirements and in exports.

Coal production, aside from that of Europe and North America, was somewhat higher in 1948 than in the preceding year. The Union of South Africa, which by the end of the war had achieved a level of production about 50 per cent above that of 1937, increased its coal output slightly during 1948; exports during the year of more than twice the pre-war volume declined considerably from 1947 levels. Australian coal production, which in the post-war period has been about one-fourth higher than before the war, increased slightly during 1948 in spite of labour shortages. Latin American countries, heavily dependent on imported coal, registered further gains in domestic output; the coal output of this region in 1948 was about 45 per cent above the 1937 level. The coal output of Asia is estimated to be from 15 to 20 per cent below the pre-war level; Japanese coal production increased substantially during the past year, to 75 per cent of pre-war output.

The outlook for coal supplies in 1949 is vastly improved as a result of the continuing progress of coal production during 1948. Most countries will enter 1949 with stocks sufficient to meet emergencies and with prospective supplies above or approaching pre-war levels. The period of critical shortages of coal in Europe appears to be definitely past, but special difficulties are now being encountered with respect to the supply of certain qualities of coal.

Iron and Steel

The inadequacy of *steel* supplies in the latter part of 1948, despite a substantial increase in world production during the year, continued to be an obstacle to the further recovery of industrial production.

The average monthly world output of crude steel (excluding the USSR) increased substantially during the first nine months of 1948, as shown in table 10, and amounted roughly to 11.04 million tons, or 113 per cent of the pre-war level; it was almost 10 per cent higher than the average monthly output of steel during 1947 but the increase above production in the last quarter of 1947 was considerably less.

The larger part of the gain was accounted for by substantial increases in the steel output of European countries. According to figures reported in September to the Steel Committee of the Economic Commission for Europe (ECE), average monthly production of steel in 11 European countries[1] for the first half of 1948 was 27 per cent above 1947 production; it is estimated that production for the entire year will reach at least 45 million tons, or 11 million tons more than in 1947. Almost every country of Europe shared in the general advance, including Germany (U. K. and U. S. zones), whose steel production rose from 21 per cent of pre-war (1936) in 1947, to 33 per cent in the first nine months of 1948. The figures for average monthly production of steel in the United Kingdom and in France during this period were 113 and 91 per cent, respectively, of 1937 output as compared with 98 and 73 per cent in 1947. Steel production in the Union of Soviet Socialist Republics in the first nine months of 1948 was almost 30 per cent above that of the corresponding period of 1947.

The steel output of the United States, which accounted for almost 60 per cent of the world supply in 1948, continued at the same high level as in the preceding year—about 150 per cent of pre-war output. Canadian steel production, which had been greatly expanded during the war, further increased during 1948 and amounted to twice that of pre-war. Australia's war-expanded steel industry con-

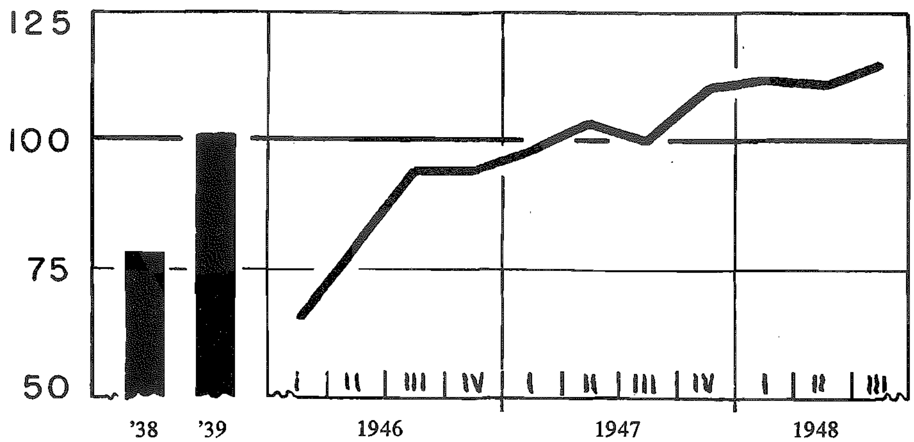
[1] Austria, Belgium, Czechoslovakia, France, Hungary, Italy, Luxembourg, Poland, Sweden, the United Kingdom and western Germany.

Table 10. Steel Production: Indices for World and Selected Countries
(based on production of ingots and castings)

Item	*World*	*United States*	*United Kingdom*	*France*	*Germany (U.K. and U.S. zones)*[a]	*Japan*	*Other countries (excl. USSR)*	*USSR*
Percentage of 1937 production (excluding USSR)								
1938	78	56	80	78	....	112	92	
1946	83	118	98	56	18	10	70	
1947	103	150	98	73	21	16	88	
1948 (based on 9 months)	113	153	113	91	33	26	105	
Percentage of production in corresponding quarter of 1947 (including USSR)								
1948 quarters:								
First	117	105	133	122	166	178	129	141
Second	110	98	121	127	156	164	120	121
Third	115	108	114	123	188	167	121	125
Percentage distribution of world production (excluding USSR)								
1937	100	43.8	11.3	6.7	12.7[b]	4.9	20.6	
1947	100	63.7	10.7	4.7	2.5	0.8	17.6	
1948 (9 months)	100	59.3	11.3	5.5	3.6	1.1	19.3	

[a] 1936=100.
[b] Estimated.

Chart 6. Trends in World Production of Steel*
1937=100



* Excluding USSR.

tinued to operate during 1948 at less than 80 per cent of capacity, owing to labour and coal shortages. As a result of its expansion during the war, the steel output of India during the year was more than a third above pre-war levels. The output of the new steel industries in less industrialized countries, such as Brazil, Mexico and the Union of South Africa, was several times that of pre-war but did not bulk large in total world production. The Japanese steel industry registered substantial gains during 1948 from low post-war levels; the rate of output in the first nine months of that year was about one-fourth that of 1937.

The increase in steel production in Europe is attributable largely to increased supplies of metallurgical coking coal, particularly from western Germany. Through agreements reached in the Coal and Steel Committees of the Economic Commission for Europe, non-steel producing countries sacrificed certain fuels for domestic use in order to permit their allocation to steel-producing countries for increasing steel output. Present indications are that the amount of metallurgical coal available from the United States and United Kingdom zones of Germany may be increased in the first half of 1949 as much as 25 per cent above that of the third quarter of 1948. Allocations of metallurgical coal for the first quarter of 1949 meet requirements in full and should make possible an increase of one million tons in steel production during this quarter.

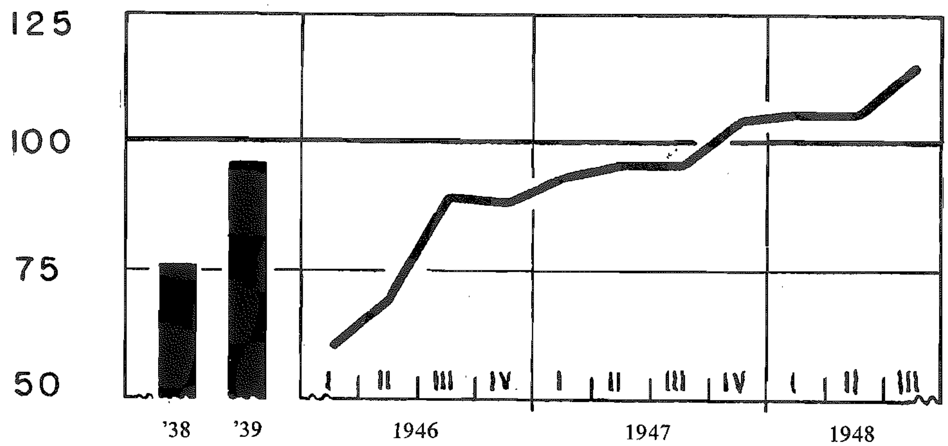
[1] Economic Commission for Europe, *Analysis of Trends in Europe's Supply of Iron and Steel Scrap;* United Nations document E/ECE/STEEL/27 (Geneva, 2 November 1948).

The limited quantities of coal available, however, appear to have been responsible in large part for an unduly high rate of consumption of scrap iron and rich ores. In the case of scrap, it is estimated that the proportion consumed in some countries is as high as 25 to 30 per cent, instead of 10 per cent as in pre-war years. Shortages of both scrap and rich ores have replaced coal as a possible obstacle to continuing expansion of steel production.

The apparent 1948 deficit in Europe has been estimated[1] at two million tons of scrap iron owing to the following factors: (*a*) the increase of import requirements of scrap and the cessation of exports from European countries as a result of abnormally high consumption of scrap (Belgium and Luxembourg, for example, which used to export about 335,000 tons now have import requirements of 625,000 tons); and (*b*) the cessation of scrap exports from the United States, which supplied the bulk of scrap to Europe before the war and now imports from Europe. The net effect of the loss of European imports from, and exports to, the United States is a loss to Europe of 1.8 million tons.

The shortage of scrap iron during 1948 retarded the expansion of production but was met in part through large drawings on scrap stocks; these are now reported to be dangerously low. The impact of the shortage is likely to be felt in 1949 when it may well result in idle capacity in Europe. Germany is now the only large reservoir of scrap; it is estimated that in the United Kingdom and United States zones of Germany, well over 10 million tons of war-damage scrap could be recovered.

Chart 7. Trends in World Production of Pig-Iron *
1937=100



* Excluding USSR.

A European deficit of some 15 per cent of import requirements of rich iron ores is anticipated in 1949[1]; this will adversely affect planned increases in the steel output of several countries. Some countries report that smaller amounts of rich iron ores are likely to be available in 1949 than in 1948 because of larger European exports to the United States and Germany. The requirements for hard currency are reported to be in part responsible for oversea exports of rich ores from Europe.

The high internal demand of steel-producing countries has retarded the international flow of steel and steel products, machinery, vehicles and other items dependent on steel, which are in great demand throughout the world, particularly in the less developed countries. The necessity for net exporting countries to direct their exports of steel products to hard currency areas has also added to the difficulties of many countries, particularly of under-developed countries with limited foreign exchange resources.

Despite these adverse factors, the 1948 imports of iron and steel products by a number of under-developed countries of Latin America from the United States, and by the Middle East—from both the United Kingdom and the United States—were substantially above 1938 levels. United States exports of iron and steel products in the first half of 1948, although considerably below the 1947 volume, were more than twice those of 1938. Four Latin American countries (Argentina, Brazil, Mexico and Venezuela), which before the war accounted for only 10 per cent of United States exports of iron and steel products, received about 25 per cent during the first half of 1948—only slightly less than in 1947. The share of Canada in United States exports, which was 13 per cent in 1938, increased to 16 per cent in 1947 and about 20 per cent in the first half of 1948.

British exports of iron and steel products in 1947 were at approximately the 1938 level and in the first 10 months of 1948, somewhat above that level; the volume of these exports directed to British countries in 1948 was roughly one-fourth below the pre-war volume. This decline was largely accounted for by the reduced share in British exports of Australia, Canada, India, New Zealand and the Union of South Africa, which together received over 40 per cent of the total in 1938 but only 20 per cent in 1948; as previously noted, steel output in these countries expanded considerably during the war. A large part of the additional exports of iron and steel products thus made available went to the Scandinavian countries which had received about seven per cent in 1938 and appear to have accounted for 16 per cent in 1948. Venezuelan imports from the United Kingdom were also significantly larger in 1948 than before the war.

The composition of exports of iron and steel products in 1948 was strikingly different from that of pre-war years. During 1948 the United States

[2] *Ibid.*

exported negligible quantities of pig-iron and scrap iron, the former of which represented about one-fifth of total United States iron and steel exports in 1938. A much higher proportion of exports from the United States was in the form of bars and rods, structural shapes, wrought pipes and fittings, rails, tin, terne and blackplate. United Kingdom exports were also characterized by a reduction in the share of scrap and pig-iron to negligible proportions and by increases in finished steel products. The composition of exports from Belgium and Luxembourg, the total of which in the first eight months of 1948 was almost 25 per cent above that of 1938, reflected not only the virtual elimination of pig-iron exports but also of cast-iron pipes and fittings and a sharp reduction in exports of semis; exports of rolling mill products, on the other hand, increased substantially.

Data on the trends and geographic distribution of *pig-iron* production, which closely paralleled those of steel, are provided in table 11.

Table 11. Pig-Iron and Ferro-Alloy Production: Indices for World and Selected Countries

Item	*World*	*United States*	*United Kingdom*	*France*	*Germany (U.K. and U.S. zones)*[a]	*Other countries (excl. USSR)*	*USSR*
Percentage of 1937 production (excluding USSR)							
1938	76	51	80	76	....	92	
1946	77	111	92	44	17	60	
1947	97	144	92	62	19	79	
1948 (based on 9 months)	108	144	109	82	34	100	
Percentage of production in corresponding quarter of 1947 (including USSR)							
1948 quarters:							
First	116	102	130	125	181	130	136
Second	110	94	129	136	195	126	118
Third	118	107	120	135	225	131	115
Percentage distribution of world production (excluding USSR)							
1937	100	41.9	9.7	8.8	14.4[b]	25.2	
1947	100	62.1	9.1	5.6	2.6	20.6	
1948 (9 months)	100	55.9	9.3	6.7	4.3	23.3	

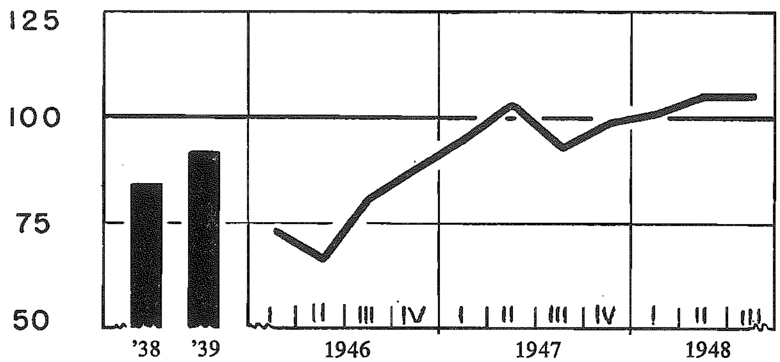
[a] 1936=100.
[b] Estimated.

Non-ferrous Metals

The world output of non-ferrous metals (outside of the USSR) showed little change in the first nine months of 1948. While copper and zinc production—which registered gains during 1948 of five to six per cent over the preceding year—were somewhat above pre-war levels, lead production remained about 15 per cent, and tin almost 30 per cent, below pre-war levels.

Copper output increased moderately over 1947 levels in the most important copper-producing areas, as shown in table 12.

Chart 8. Trends in World Production of Copper *
1937=100



* Excluding USSR.

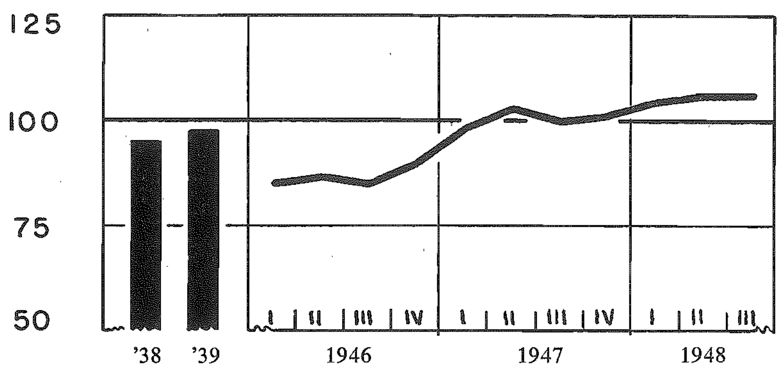
Table 12. Copper Production: Indices for World and Selected Countries
(based on production at smelters)

Item	*World*	*United States*	*Chile*	*Canada*	*Northern Rhodesia*	*Other countries*
Percentage of 1937 production (excluding USSR)						
1938	84	66	85	103	102	95
1946	77	68	91	67	88	83
1947	98	101	103	82	91	97
1948 (based on 9 months)	104	107	107	87	107	102
Percentage of production in corresponding quarter of 1947 (including USSR)						
1948 quarters:						
First	107	105	94	119	110	115
Second	102	102	99	103	106	104
Third	113	105	120	104	159	113
Percentage distribution of world production (excluding USSR)						
1937	100	37.3	16.9	10.7	9.0	26.1
1947	100	38.7	17.8	9.0	8.4	26.1
1948 (9 months)	100	38.6	17.4	9.0	9.3	25.7

Zinc production, outside of the United States, Canada and the Union of Soviet Socialist Republics, increased from 75 per cent of pre-war output in 1947 to 83 per cent in the first nine months of 1948 and accounted for most of the increase in world output (excluding the USSR).

Chart 9. Trends in World Production of Zinc *

1937=100



* Excluding USSR.

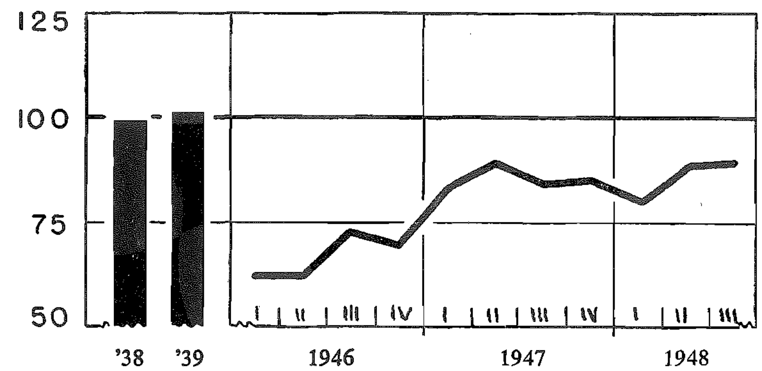
Table 13. **Zinc Production: Indices for World and Selected Countries**
(based on production at smelters)

Item	*World*	*United States*	*Canada*	*Other countries*
Percentage of 1937 production (excluding USSR)				
1938	95	78	103	103
1946	87	129	126	59
1947	101	144	116	75
1948 (based on 9 months)	106	143	126	83
Percentage of production in corresponding quarter of 1947 (including USSR)				
1948 quarters:				
First	109	101	105	112
Second	107	98	109	109
Third	109	100	110	109
Percentage distribution of world production (excluding USSR)				
1937	100	31.0	9.7	59.3
1947	100	44.3	11.2	44.5
1948 (9 months)	100	41.9	11.6	46.5

The world output of *lead* (outside the USSR) during the first nine months of 1948 showed practically no increase over that of 1947, since moderate increases in the countries other than Australia, Canada and the United States were offset by a decline of lead output in the United States (table 14).

Chart 10. **Trends in World Production of Lead ***

1937=100



* Excluding USSR.

Table 14. **Lead Production: Indices for World and Selected Countries**
(based on production at smelters)

Item	*World*	*United States*	*Australia*	*Canada*	*Other countries*
Percentage of 1937 production (excluding USSR)					
1938	99	77	97	101	112
1946	66	78	66	85	55
1947	85	109	82	76	74
1948 (based on 9 months)	86	100	82[b]	76	80
Percentage of production in corresponding quarter of 1947 (including USSR)					
1948 quarters:					
First[a]	96	103	72	92	100
Second	100	97	102	92	103
Third	105	77	115[b]	113	123
Percentage distribution of world production (excluding USSR)					
1937	100	28.3	13.5	11.0	47.2
1947	100	36.2	13.1	9.9	40.8
1948 (9 months)	100	32.9	13.0[b]	9.8	44.3

[a] Excluding USSR.
[b] Provisional figures.

Tin production in the first nine months of 1948 recovered to 71 per cent of its pre-war volume, largely because production in Indonesia was nearly doubled and the increase in Malaya was very large, as is shown in table 15.

Table 15. Tin Production: Indices for World (excluding USSR) and Selected Countries
(based on metal content of ores and concentrates)

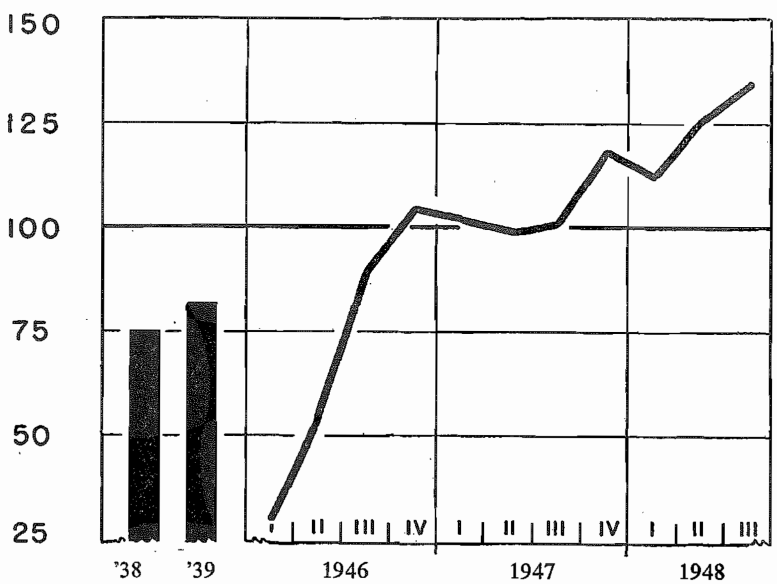
Item	*World*	*Malaya*	*Indonesia*	*Bolivia*[a]	*Other countries*
Percentage of 1937 production					
1938	77	56	70	100	96
1946	43	11	15	152	55
1947	55	36	39	133	56
1948 (based on 9 months)	71	56	73	138	60
Percentage of production in corresponding quarter of 1947					
1948 quarters:					
First	159	300	175	153	106
Second	131	180	227	91	110
Third	132	150	217	107	107
Percentage distribution of world production					
1937	100	37.0	19.1	12.1	31.8
1947	100	24.2	13.7	29.5	32.6
1948 (9 months)	100	29.6	19.6	24.0	26.8

Source: International Tin Study Group, The Hague. *Statistical Bulletin,* September 1948.
[a] Based on exports.

Rubber

For the first nine months of 1948, world production (excluding the USSR) of rubber, both natural and synthetic, was about 10 per cent above the 1947 rate. This represented a level two-thirds higher than that of 1937, as shown in table 16. The large gain in natural rubber output in 1948 more than offset a small decline in synthetic rubber production; the latter accounted for 26 per cent of total output in the first nine months of 1948, compared with almost 31 per cent in 1947. Natural rubber production in Indonesia recovered from 65 per cent of pre-war output in 1947 to 93 per cent in the first nine months of 1948 and accounted for the largest part of the increase in the total world output of rubber.

Chart 11. Trends in World Production of Natural Rubber
1937=100



* Excluding USSR.

Table 16. Rubber Production: Indices for Natural and Synthetic Rubber for World (excluding USSR) and Selected Countries

Item	*World (natural and synthetic)*[a]	*Natural rubber*				*Synthetic rubber*	
		World	*Malaya*	*Indonesia*	*Other countries*	*World*[a]	*United States*
Percentage of 1937 production							
1938	76	75	72	71	90	....	....
1946	136	69	80	39	100	....	....
1947	151	105	129	65	127	....	....
1948 (based on 9 months)	167	124	140	93	145	....	....
Percentage of production in corresponding quarter of 1947							
1948 quarters:							
First	95	111	106	116	115	70	68
Second	117	126	118	141	126	98	100
Third	130	133	115	177	128	121	125
Percentage distribution of world production							
1937	100	99.8	41.4	37.2	21.2	0.2	0.04
1947	100	69.4	35.4	16.1	17.9	30.6	27.8
1948 (9 months)	100	73.8	34.7	20.7	18.4	26.2	24.1

Source: London Rubber Secretariat, *Rubber Statistical Bulletin.*

[a] World total for synthetic rubber includes only Canada, Germany (beginning 1946, U.K. and U.S. zones only) and United States.

Timber[1]

The world shortage of sawn lumber continued during 1948. The Food and Agriculture Organization of the United Nations estimates that the world output of wood in 1948 equalled or slightly exceeded the pre-war average. The recovery of total wood output, however, has not eliminated severe shortages of sawn lumber for a number of reasons. First, the recovery of total wood output to pre-war levels has largely been the result of the continued increase in output in the Western Hemisphere, which offset the comparatively low levels of output in Europe and the Far East. In this important shift in the geographical disposition of production, the share of the United States and Canada in world production increased from 48 per cent in 1937 to 64 per cent in 1947; during the same period the share of Europe declined from 40 to 25 per cent. Secondly, the trend towards increased pulp production at the expense of lumber and fuelwood continued; it is estimated that it now absorbs nine per cent of the total wood cut, instead of seven per cent as before the war. Finally, the requirements for lumber continued to be abnormally high because of the accumulated construction and reconstruction needs.

World lumber production in 1948, which showed some slight improvement over the preceding year, appears to be about five per cent below the best pre-war year, 1937. About eight per cent of world lumber production normally entered international trade; most of this trade took place within two regions—Europe (including the USSR and the Near East) and North America (United States and Canada).

In Europe (including the USSR), production of softwood in 1948 was about 80 per cent of pre-war output. The resulting reduction in consumption was borne chiefly by the timber-importing countries of Europe, owing to the decline in exports from Scandinavian countries and the complete cessation of exports from the Union of Soviet Socialist Republics. Prior to the war, exports of the Union of Soviet Socialist Republics contributed about 30 per cent of all exports; owing to the tremendous war devastation of forests and forest industries and the acute need for timber for domestic reconstruction, there appears to be little hope for substantial exports from the Union of Soviet Socialist Republics for the present. The decline in Swedish exports of softwood lumber is attributed largely to increased diversion of softwood logs into pulp production, which brings considerably higher prices and earns much needed hard currency.

During 1947 the decline in exports from these two sources was made up to a limited extent by exports from Germany, which was a pre-war importer, and by a substantial increase in exports from North America; consumption in Europe (excluding the USSR), however, reached only 70 per cent of pre-war levels. The United Kingdom and certain countries of central and southern Europe, which are heavily dependent on imports, suffered the most severe reductions in consumption.

Export supplies available to Europe in 1948 are estimated at 2.50 to 2.75 million standards, about the same amount as in 1947. The importing countries of Europe indicated in June 1948[2] that their effective demand would not exceed the higher figure cited above.

The Food and Agriculture Organization notes that "the outlook for the future is far from encouraging" and that "shortages of timber may become an increasingly serious obstacle to European reconstruction". The outlook for 1949 is for substantial reduction in exportable supplies in the face of increasing requirements. Germany's exports in 1949 are expected to be only a fraction of those of the past two years. Scandinavian exports are also expected to decline for reasons previously indicated. Declines in United States timber exports to Europe are also anticipated. As a result of all these factors, including the unlikely resumption of exports on a significant scale from the Union of Soviet Socialist Republics or any significant change in exports of central Europe, total softwood supplies likely to be available to Europe and the Mediterranean area may fall to two million standards, which represents 50 to 65 per cent of estimated effective demand.

Some prospect for improvement in this situation is contained in a proposal of the FAO-ECE Timber Committee for increasing the timber production and exports of Finland, Poland, Czechoslovakia, Austria and Yugoslavia, by the extension of credits for importation of equipment and other supplies for timber production. Negotiations between the International Bank for Reconstruction and Development and some of the above countries were still in progress in the latter part of 1948.

[1] This section is based largely on the chapter on "Forest Products" in the report of the Food and Agriculture Organization of the United Nations, *The State of Food and Agriculture, 1948* (Washington, D. C., September 1948).

[2] At the session of the joint FAO-ECE Timber Committee at Geneva.

In the United States and Canada, which at present produce and consume about one-half of total world output, production of lumber was only slightly higher in 1948 than in the preceding year, but was considerably above immediate pre-war levels. Although the high demand generated by accumulated requirements for building and other purposes is expected to continue for some time, the substantial price rise of lumber in recent years has seriously affected its competitive position with regard to other building materials and may relieve some of this pressure. Owing to some decline in the urgency of the demand for lumber and the continued high output, North American lumber stocks have risen to a point where they can be regarded as normal.

In 1947 lumber exports from the United States and Canada about equalled total European exports and were approximately 20 per cent greater than before the war. In the first half of 1948, Canadian softwood exports to both European and non-European countries were about the same as in the corresponding period of the preceding year, but United States exports declined about 40 per cent. The Food and Agriculture Organization notes that it has been necessary to divert some of the money originally set aside for timber under the European Recovery Program to more urgent purchases and to curtail timber import programmes from North America accordingly.

In other regions of the world the situation varied greatly. Output of forest products in the Far East is recovering slowly and supplies available for consumption in 1947/48 are 32 per cent below prewar levels. On the other hand, production in Latin America has almost doubled since 1937, and has increased by more than 50 per cent in Australia, New Zealand, Africa and the Near East. However, these increases had little effect on the world supply since these areas contribute only 3.2 per cent of the total output.

Textiles

Production of textiles in 1948 was generally higher than in 1947, as pointed out in part I of this report. The differing degrees to which textile production has been restored, or expanded beyond pre-war levels, in a number of countries are shown in table 17.

Table 17. **Textile Manufacturing: National Indices**[a]

Country	*1937=100*[b]				*Corresponding quarter 1947=100*		
	1938	*1946*	*1947*	*1948 (based on 9 months)*[c]	*1948 First quarter*	*1948 Second quarter*	*1948 Third quarter*
Belgium	80	91	110	105	100	93	85[d]
Canada	85	142	151	157	105	105	102
Chile	96	135	137	135	99	102	....
Czechoslovakia	....	....	60	73	136	126	125[e]
Denmark	94	90	104	118	116	114	107
France	95	65	85	97	120	114	125[e]
Germany (U. K. and U. S. zones)	....	19	28	47	190	147	189
Greece	111	71	88	81	95	88	99
India[f]	112	114	113	127	105	114	111[e]
Japan	93	10	15	17	103	100	124
Netherlands	95	52	83	96	135	121	108[d]
Norway	87	74	93	104	116	118	108
Poland	104	83	101	127	137	140	....
Spain	....	127	92	150	100[e]	....	....
Sweden	98	125	125	132	108	104	104[e]
United Kingdom	86	72	77	91	138	117	112[d]
United States	80	153	154	162	103	108	107

[a] Measured by output, employment or other factors.
[b] Base period other than 1937: Germany, 1936; Spain, 1935.
[c] Based on fewer than nine months in a number of cases, as evidenced by footnoted figures in following columns.
[d] One month only.
[e] Two months only.
[f] Cotton yarn; excluding Pakistan, beginning September 1947.

Motor vehicles

World production (excluding USSR) of motor vehicles in the first nine months of 1948 reached the 1937 level. This represented an increase from 1947 of somewhat under 10 per cent, as shown in table 18. While United States production increased about six per cent, the output of the United Kingdom was more than 20 per cent higher, and French production almost doubled, to reach 91 per cent of pre-war levels; Canadian output dropped slightly. Motor vehicles produced in the rest of the world amounted to only about one-third of pre-war volume.

Table 18. Motor Vehicle Production: Indices for World (excluding USSR) and Selected Countries

(based on numbers of vehicles — passenger and commercial[a])

Item	*World (excl. USSR)*	*United States*	*United Kingdom*	*Canada*	*France*	*Other countries*
Percentage of 1937 production						
1938	61	52	90	80	111	102
1946	62	64	73	83	45	18
1947	92	100	84	124	47	23
1948 (based on 9 months)	101	106	103	118	91	36
Percentage of production in corresponding quarter of 1947						
1948 quarters:						
First	114	112	140	98	129	190
Second	103	100	107	106	151	142
Third	117	117	112	86	130	173
Percentage distribution of world production						
1937	100	78.2	8.0	3.4	3.3	7.1
1947	100	84.7	7.3	4.5	1.7	1.8
1948 (9 months)	100	82.5	8.2	3.9	2.9	2.5

[a] There has been a shift from passenger to commercial vehicle production, except in the United States.

BUILDING AND CONSTRUCTION ACTIVITY

Building and construction activity continued at high levels in many countries during 1948. There were, however, indications in a growing number of countries that the peak of building activity was being approached or had passed. Despite increases in the production of building materials during the first nine months of 1948 in several of the war devastated countries, 1948 output appeared to be below or a little above pre-war volume. Indices of building and construction activity in a number of countries are provided in table 19.

Table 19. **Building and Construction Activity: National Indices**

Country	Basis of index	1937=100[a] 1938	1946	1947	1948 (based on 9 months[b])	Corresponding quarter 1947=100: 1948 First quarter	1948 Second quarter	1948 Third quarter
Belgium	Building materials	....	57	75	84	135	118	119[c]
Canada	Dwelling units completed	100	159	187	158	90	96	94
Chile	Construction index	90	211	164	145	75	92	....
Colombia	Ground space	92	187	156	185	121	179	174[d]
Denmark	Floor space	....	59	73	92	178	162	....
France	Construction index	93	110	113	113	104	96	97[c]
Germany (U.K. and U.S. zones)	Building materials	....	36	37	55	156	131	172
Greece	Building materials	....	32	49	67	277	114	133
Ireland	Houses completed[e]	124	10	16	20	95	129	303[d]
Netherlands	Building materials	112	62	80	101	140	145	135[c]
Portugal	Houses completed	....	160	156	192	97	151	....
Sweden	Buildings completed[f]	117	119	105	100	114	128	....
Switzerland	Building employment	111	104	132	143	106	110	....
Union of South Africa	Houses completed	119	118	142	92	106	53	44[d]
United Kingdom	Construction index	101	71	78	85	138	112	100[d]
United States	Floor space[g]	97	216	185	200	99	127	109

[a] Base period other than 1937: Belgium, 1936–1938; Canada, 1938; Denmark, 1 July 1938 to 30 June 1939; Germany, 1936; Greece and Portugal, 1939.

[b] Based on fewer than nine months in a number of cases, as evidenced by footnoted figures in last column.

[c] One month only.

[d] Two months only.

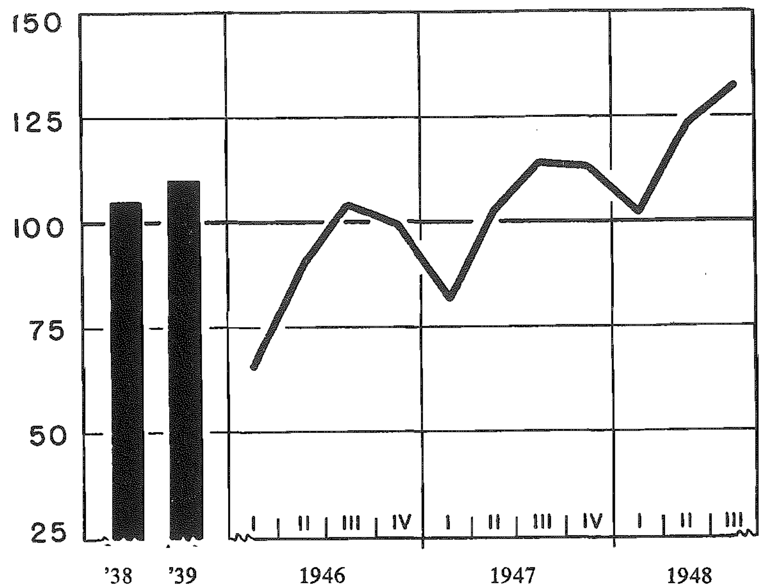
[e] New houses built under State aid.

[f] Based on number of rooms in buildings completed in 11 cities.

[g] Based on construction contracts awarded in 37 states.

World production of *cement* (outside of the USSR) in the first nine months of 1948 was about 15 per cent above that of the preceding year and almost 20 per cent above pre-war levels, as shown in table 20.

Chart 12. Trends in World Production of Cement *
1937=100



* Excluding USSR.

Table 20. Cement Production: Indices for World and Selected Countries

Item	*World*	*United States*	*United Kingdom*	*Other countries (excl. USSR)*	*USSR*
Percentage of 1937 production (excluding USSR)					
1938	105	91	107	110	
1946	90	139	92	69	
1947	103	158	97	79	
1948 (based on 9 months)	119	170	117	97	
Percentage of production in corresponding quarter of 1947 (including USSR)					
1948 quarters:					
First	126	105	176	135	153
Second	121	117	126	122	122
Third	117	110	107	123	131
Percentage distribution of world production (excluding USSR)					
1937	100	27.5	10.0	62.5	
1947	100	42.3	9.4	48.3	
1948 (9 months)	100	39.3	9.8	50.9	

TRANSPORTATION

Inland rail transport continued to carry a volume of freight considerably in excess of the pre-war level. The volume of freight traffic in most European countries during 1948 was higher than for the preceding year, as shown in table 21; in the rest of the world, with certain exceptions, it fluctuated around the 1947 level.

Table 21. Railway Freight Traffic: National Indices of Net Ton-Kilometres
1937 = 100[a]

Country	*1946*	*1947*	*1948* Monthly average	*1948* Months covered
Africa:				
Algeria	138	127	....	....
Morocco	222	223	....	....
Rhodesia	114	117	123	I-VI
Tunisia	86	98	100	I-III
Union of South Africa	142	145	154	I-VIII
Asia:				
China	134	189	163	I-IX
India[b]	128	102	93	I-IV
Indochina	....	12	23	I-VII
Iraq	188	186	183	I-III
Japan	91	109	123	I-VI
Lebanon and Syria	108	91	....	....
Palestine	196	161	....	....
Turkey	213	237	193	I-III
Europe:				
Austria	67	103	137	I-IX
Belgium	75	94	97	I-VIII
Bulgaria[c]	123	148	150	I-VI
Czechoslovakia	87	107	118	I-VII
Denmark[c]	200	187	162	I-VIII
Finland[c]	92	99	102	I-VIII
France	102	117	128	I-VIII
Germany:[a]				
French zone[d]	100	148	190	I-VIII
U.K. zone[c]	100	109	118	I-II
U.S. zone	100	109	....	....
Greece[a]	100	154	....	....
Hungary	56	104	128	I-IX
Italy[c]	56	69	69	I-VII
Luxembourg	37	64	77	I-V
Netherlands	85	100	110	I-VI
Norway	139	162	165	I-IV
Poland[e]	87	97	111	I-V
Portugal[c]	135	123	....	....
Romania	82	70[f]	....	....
Spain[c]	102	107	89	I-V
Sweden	183	185	193	I-VII
Switzerland[c]	107	115	117	I-IX
United Kingdom	115	113	116	I-VIII
Latin America:				
Argentina	141	132	138	I
Chile	137	137	144	I-VI
Colombia	200	192	....	....
Cuba	188	193	207	I-VIII
Ecuador	244	239	225	I-III
Guatemala[c]	165	181	181	I-VIII
Mexico	155	161	160	I-III
Uruguay[c]	113	95	102	I-IV
Venezuela[c]	148	125	....	....
North America:				
Canada	205	223	206	I-VIII
United States	164	182	175	I-VIII
Oceania:				
Australia	132	136	141	I-VI
New Zealand	155	165	174	I-VIII

[a] Base period other than 1937: Morocco, Tunisia, Indochina, Poland, Ecuador, Uruguay, 1938; Lebanon and Syria, Bulgaria, 1939; Germany, Greece, 1946; Spain, 1942.

[b] Excluding Pakistan, beginning March 1947.

[c] Based on freight tons carried. The trend of ton-kilometres often differs considerably from that of tons carried on the same system.

[d] Excluding the Saar.

[e] Base year figure relates to pre-war territory.

[f] Based on nine months.

The quantum of world merchandise exports in the first half of 1948 was somewhat below the levels of both the first and second halves of 1947 and about 10 per cent below that of 1937, as shown in table 22 and chart 13, below. The levelling off of the quantum of world exports since the middle of 1947 is due mainly to the decline in United States exports, as explained in part I. The continuing rise of exports in the first half of 1948 in countries other than the United States, though at a slower rate, is shown in table 23 (and chart 14).

Chart 13. Trends in Quantum of World Exports

1937 = 100

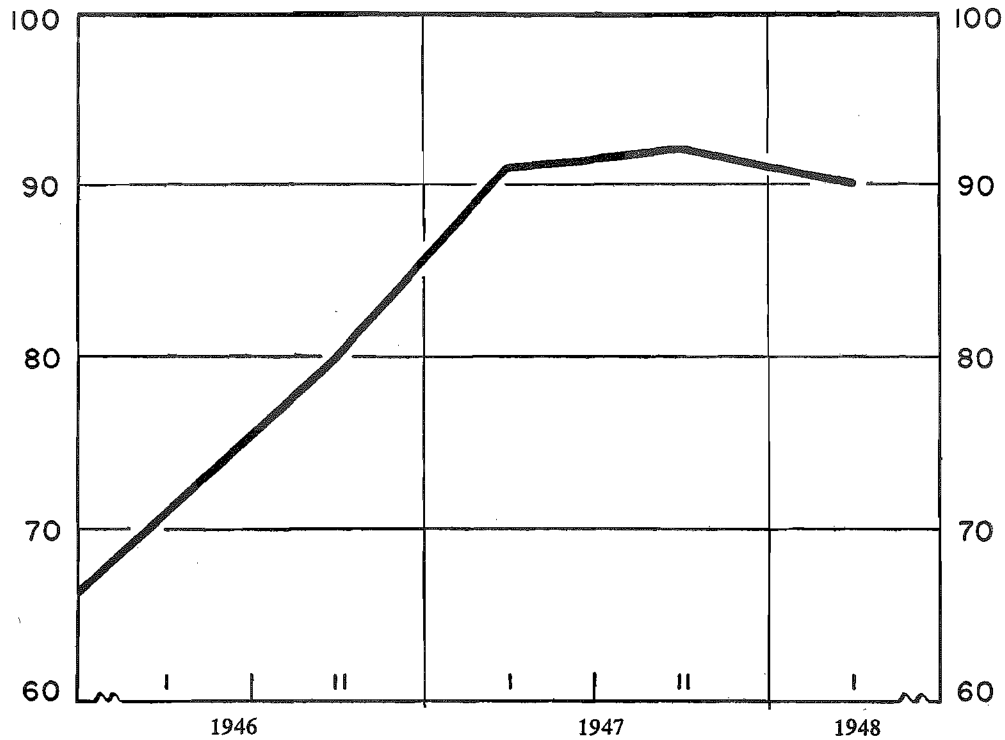


Table 22. Estimated World Merchandise Exports[a]

Item	1937 Semi-annual average	1938 Semi-annual average	1946 First half	1946 Second half	1947 First half	1947 Second half	1948 First half
Estimated U. S. dollar value (millions):							
As declared	13,100	11,300	14,700	18,500	22,900	24,900	25,400
At 1937 prices[b]	13,100	11,900	9,300	10,500	11,900	12,000	11,800
Indices based on 1937:							
Total value	100	86	112	141	175	190	194
Quantum	100	91	71	80	91	92	90
Unit value (price)	100	95	158	176	192	207	215

[a] The data in this table were originally compiled on the base 1938 = 100. Transfer to the base 1937 = 100 was effected by means of the ratio between unit values in 1937 and 1938 derived from the League of Nations, *Network of World Trade.*

[b] The prices referred to are in the main unit values obtained from national trade returns.

Table 23. Merchandise Trade[a]: National Quantum Indices

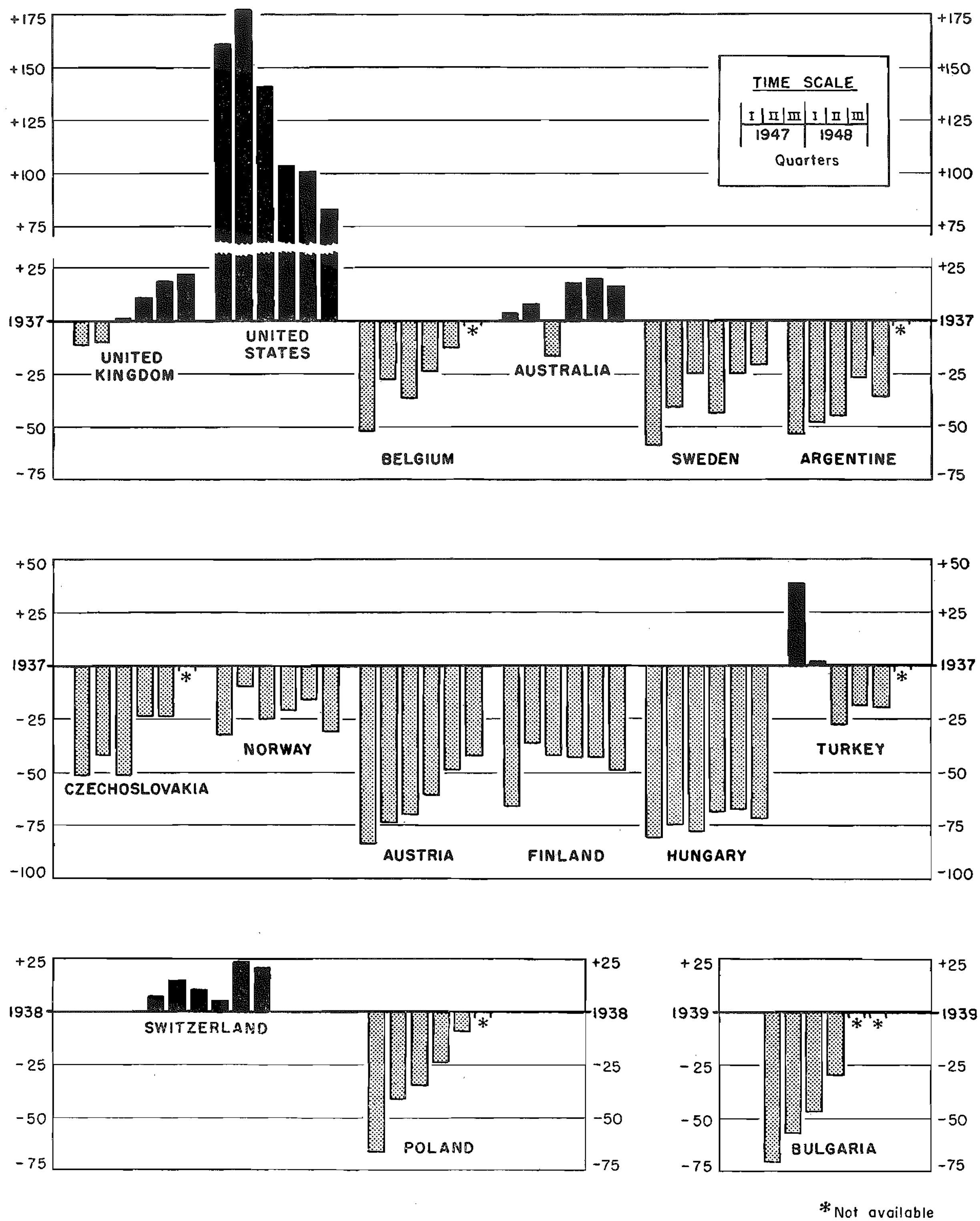
(1937 average=100[b])

Country (in order of magnitude of pre-war trade)		1938	1946	1947 quarters: First	1947 quarters: Second	1947 quarters: Third	1947 quarters: Fourth	1948 quarters: First	1948 quarters: Second	1948 quarters: Third
United Kingdom	imports	95	65	64	74	84	74	77	77	78
	exports	88	88	89	90	101	104	111	119	122
United States	imports	72	100	100	94	89	101	111	103	105
	exports	100	191	261	277	241	231	204	201	183
France	imports	100	112	110	143	112	102	....	....	....
	exports	100	43	75	91	80	84	....	....	....
Belgium	imports	....	85	96	95	101	128	103	99	....
	exports	....	33	48	72	63	62	76	87	....
Netherlands	imports	100	60	69	84	82	88	....	....	....
	exports	100	27	41	49	54	73	....	....	....
India	imports	93	75	80	92	94	....	....	....	....
	exports	96	65	65	64	61	....	....	....	....
Australia[c]	imports	117	82	69	80	96	90	98	106	....
	exports	108	104	104	108	83	104	118	120	116
Sweden	imports	99	93	101	126	147	119	107	122	115
	exports	86	57	41	59	75	76	56	75	79
Argentina	imports	94	77	113	125	157	189	150	147[d]	....
	exports	64	55	46	52	55	76	73	64[d]	....
Switzerland	imports	100	105	127	150	143	168	165	158	128
	exports	100	101	108	115	111	126	106	124	121
Czechoslovakia	imports	....	35	65	76	85	80	130	95	....
	exports	....	26	49	58	49	66	76	76	....
Norway	imports	92	72	108	125	104	97	75	90	88
	exports	95	58	67	90	75	77	79	84	69
Poland[e]	imports	100	159	94	173	124	124	145	150	....
	exports	100	38	34	59	65	63	76	91	....
Austria	imports	....	....	13	23	29	32	36	44	51
	exports	....	....	16	26	30	44	39	51	58
Finland	imports	97	34	47	47	74	84	75	89	76
	exports	86	39	34	64	58	56	57	57	51
Ireland	imports	96	78	88	112	135	141	132	131	98[d]
	exports	93	68	48	58	73	79	57	53	70
Hungary	imports	84	14	36	40	46	53	57	52	50
	exports	89	13	19	25	22	28	31	32	28
Cuba	imports	....	....	124	125	128	200	....	....	....
	exports	....	....	124	185	198	143	....	....	....
Turkey	imports	129	72	88	127	175	137	130	120	....
	exports	115	89	139	102	72	95	81	80	....
Bulgaria	imports	....	58	43	57	102	82	89	....	....
	exports	....	34	29	43	53	66	70	....	....

[a] Special trade except for India and Cuba, where data relate to general trade; Ireland, general imports.
[b] Base period other than 1937: France, Netherlands, Switzerland, Poland, 1938; Belgium, 1936–38; Cuba, 1935–39; Bulgaria, 1939.
[c] Annual averages are for years ending June of year stated.
[d] Based on two months.
[e] Including UNRRA imports.

Chart 14. Trends in Merchandise Exports (Quantum) for Selected Countries

Percentages above (+) and below (−) pre-war levels



The continuing decline in United States exports during the first nine months of 1948, the increase in imports and the changing composition of exports and imports are shown by detailed data on *merchandise trade of the United States* in table 24 below.

Table 24. Merchandise Trade of the United States, by Category of Goods
(quarterly averages)

Item	1937	1938	1946	1947 First half	1947 Third quarter	1947 Fourth quarter	1948 First half	1948 Third quarter
Imports (for consumption):								
Value in millions of dollars	753	487	1,198	1,403	1,328	1,515	1,717	1,743
Crude materials	243	144	425	457	395	439	532	529
Crude foodstuffs	103	65	204	258	201	300	317	271
Manufactured foodstuffs	110	78	126	158	168	171	171	199
Semi-manufactures	159	96	232	297	310	343	390	422
Finished manufactures	138	104	211	233	254	262	307	322
Quantum index	100	72	100	96	90	101	106	105
Crude materials	100	71	123	118	105	118	126	120
Crude foodstuffs	100	78	101	93	73	99	102	85
Manufactured foodstuffs	100	81	72	73	78	79	77	90
Semi-manufactures	100	67	104	108	107	119	125	127
Finished manufactures	100	71	77	71	71	74	82	87
Unit dollar value index	100	90	160	193	191	201	215	216
Crude materials	100	84	141	157	151	153	171	180
Crude foodstuffs	100	81	194	267	266	291	300	307
Manufactured foodstuffs	100	87	161	198	198	196	204	202
Semi-manufactures	100	91	141	172	184	182	197	208
Finished manufactures	100	107	198	239	259	258	270	270
Exports (domestic produce)[a]:								
Value in millions of dollars	825	764	2,376	3,711	3,389	3,486	3,248	2,908
Crude materials	183	151	354	424	344	389	329	374
Crude foodstuffs	26	62	162	208	208	253	284	359
Manufactured foodstuffs	44	46	381	404	345	344	357	307
Semi-manufactures	167	124	224	425	462	425	369	315
Finished manufactures	404	381	1,255	2,250	2,031	2,076	1,909	1,553
Quantum index	100	100	191	254	222	221	203	183
Crude materials	100	92	121	121	95	104	83	96
Crude foodstuffs	100	290	327	394	347	349	439	608
Manufactured foodstuffs	100	121	515	444	380	349	377	321
Semi-manufactures	100	85	110	167	171	154	129	109
Finished manufactures	100	96	205	320	272	277	250	204
Unit dollar value index	100	93	151	177	186	190	196	192
Crude materials	100	89	162	192	200	203	221	215
Crude foodstuffs	100	81	189	200	221	248	245	225
Manufactured foodstuffs	100	86	165	205	201	214	213	216
Semi-manufactures	100	88	120	149	158	161	169	171
Finished manufactures	100	99	152	174	185	187	190	188

[a] The export figures for 1948 (but not those for earlier years) include shipments initiated during the war by the United States Army to furnish relief to the civilian population in occupied areas. Such shipments totalled $910 million in 1947.

The *international transactions of the United States* since the end of the war, which are discussed in part I, are shown in table 25.

Table 25. International Transactions of the United States

(Credit (+) or debit (−) balances; quarterly averages in millions of dollars)

Item	1938	1946	1947 First quarter	1947 Second quarter	1947 Third quarter	1947 Fourth quarter	1948 First quarter	1948 Second quarter	1948 Third quarter
Goods and services	+279	+2,033	+2,794	+3,128	+2,727	+2,629	+1,949	+1,629	+1,295
Merchandise	+283	+1,719	+2,447	+2,746	+2,522	+2,270	+1,723	+1,513	+1,232
Interest, services, etc.	− 4	+ 314	+ 347	+ 382	+ 205	+ 359	+ 226	+ 116	+ 63
Unilateral transfers[a]	− 38[b]	− 777	− 589	− 576	− 630	− 585	− 968	− 953	−1,381
Capital operations:									
U. S. capital abroad	+ 17	− 824	−4,059[c]	−1,905	−1,542	− 428	− 672	− 321	− 92
Foreign capital in U. S.	+ 93	− 306	+1,626[c]	− 339	− 236	− 856	− 194	− 176	+ 117
Gold	−414	− 156	+ 81[c]	− 793	− 667	− 784	− 348	− 526	− 320
Errors and omissions	+ 63	+ 30	+ 147	+ 485	+ 348	+ 24	+ 233	+ 347	+ 381

Source: United States Department of Commerce, *Survey of Current Business.*

[a] Unilateral transfer of funds and bookkeeping entries offsetting deliveries of goods and services (without compensation) recorded in the preceding items.

[b] Personal remittances and institutional contributions only.

[c] It will be observed that the International Monetary Fund and the International Bank for Reconstruction and Development are not treated as being within the United States. If United States subscriptions to these international agencies during the first quarter of 1947 are excluded, the items for United States capital abroad, foreign capital in the United States and gold show debit balances during the quarter of about $1,100 million, $600 million and $600 million, respectively.

Table 26 on *merchandise trade of the United Kingdom* shows the continued expansion of exports and restrictions of imports during 1948 by the United Kingdom.

Table 26. Merchandise Trade of the United Kingdom, by Category of Goods
(quarterly averages)

Item	1937	1938	1946	1947 First half	1947 Third quarter	1947 Fourth quarter	1948 First half	1948 Third quarter
Imports (retained):								
Value in millions of £[a]	238.2	214.5	311.8	392.0	506.6	438.8	497.2	508.8
Food	104.5	104.5	156.3	197.5	228.5	174.4	213.6	218.4
Raw materials	69.6	54.5	89.0	109.0	158.6	140.9	159.9	157.8
Manufactures	62.6	53.9	59.6	79.8	114.8	116.3	119.1	127.6
Quantum index	100	95	65	69	84	73	77	78
Food	100	103	70	76	86	69	74	77
Raw materials	100	88	65	65	88	77	81	77
Manufactures	100	91	52	55	75	75	73	79
Unit sterling value index	100	94	199	240	252	249	271	273
Food	100	97	213	249	254	245	272	272
Raw materials	100	88	199	242	259	262	287	291
Manufactures	100	94	183	230	242	248	262	258
Exports (domestic produce):								
Value in millions of £[a]	130.4	117.7	227.9	257.5	302.6	320.1	371.9	406.6
Food	9.7	9.0	15.9	13.9	17.7	19.3	23.8	21.6
Raw materials	16.2	14.2	8.2	9.6	7.8	7.2	14.7	18.4
Manufactures	101.2	91.3	196.6	225.4	268.0	280.8	322.6	357.0
Quantum index	100	88	88	89	101	104	115	122
Food	100	95	84	66	82	95	99	91
Raw materials	100	88	25	24	19	16	30	36
Manufactures	100	88	97	101	115	116	130	139
Unit sterling value index	100	102	199	220	231	237	248	255
Food	100	98	197	218	225	211	250	245
Raw materials	100	99	206	244	258	275	304	310
Manufactures	100	103	199	221	232	239	247	255

[a] In addition to the three categories shown separately, the totals include non-food animals and parcel post. Drink and tobacco are included in "food"; articles mainly unmanufactured are included in "raw materials"; "manufactures" relates to articles wholly or mainly manufactured.

Changes in the *merchandise trade balances* of various countries are shown in table 27.

Table 27. Merchandise Trade Balances: National Totals

(Excess of imports (−) or exports (+); quarterly averages in millions of U. S. dollars at declared values[a])

Country				1947			1948	
(within continents grouped by magnitude of 1947 exports)	*1937*	*1938*	*1946*	*First half*	*Third quarter*	*Fourth quarter*	*First half*	*Third quarter*
Africa:								
Egypt	+2	−9	−18	−5	−31	0	+33	−27
Algeria	+2	+5	−1	−16	−34	−17	−4	....
Union of South Africa	−74	−79	−119	−216	−156[b]	−156[b]	....	−249
French Morocco	−6	−5	−15	−28	−38	−32	−36	−45[e]
Belgian Congo	+8	+4	+7	+4	+10	+9	+11	....
Asia:								
India[d] }	+10	+12	+17	−64	−54[c]	....	....	−54[e]
Pakistan[d] }					....	+30	....	....
British Malaya	+30	+3	−21	−8	−30	+14	−22	....
Iran	+18	+14	+36	+50	+77	+31	+73	....
Hong Kong	−6	−8	−9	−9	−24	−32	−36	−23[e]
Ceylon	+8	+3	+6	−27	+22	+7	−3	....
Philippines	+11	−3	−57	−77	−62	−29	−69[e]	....
Indonesia	+68	+28	−12	−33	−48	−39	−18	....
Palestine	−12	−7	−46	−55	....	....	....	....
Indochina	+10	+7	+12	−11	−25	−24	−17	....
Lebanon and Syria	−6	−5	−20	−30	−33	−32	−49	....
Europe:								
United Kingdom	−534	−473	−331	−536	−800	−484	−504	−424
France	−186	−111	−278	−251	−307	−307	−207	−212
Belgium	−20	−7	−131	−91	−98	−256	−92	−77
Sweden	−8	−15	−55	−142	−173	−86	−95	−73
Switzerland	−34	−16	−44	−74	−87	−123	−140	−51
Italy[f]	−46	−10	−2	−198	−175	−191	−163	....
Netherlands	−55	−54	−128	−224	−236	−212	−219	−236
Czechoslovakia	+9	+15	+20	+2	−19	+17	− 43	+20
Denmark	−6	−5	−64	−41	−58	−20	−21	−54
Norway	−29	−25	−50	−104	−105	−88	−64	−81
Finland	+1	0	−2	0	+14	−27	−28	+6
Spain	....	−14	−11	−1	−30	−57	−17	−62
Poland[f]	−3	−6	−94	−14[g]	−14[g]	−14[g]	....	....
Turkey	+5	−1	+24	+20	−41	−23	−27	....
Portugal	−13	−12	−22	−24	−50	−36	−53	−52[e]
Ireland	−26	−22	−33	−73	−111	−110	−110	−69
Hungary	+8	+9	+1	−7	−12	−9	−9	−9
Bulgaria	0	+2	−5	+3	−1	+7	−10[e]	....
Austria	−11	−28	−3	−8	−13	−6	−17	−17
Greece	−13	−11	−15	−25	−32	−12	−47	....
Latin America:								
Argentina	+65	−1	+139	+79	+22	+27	+95	....
Brazil	−4	0	+67	−36	−4	−10	−62	+125[e]
Cuba	+14	+9	+42	+56	+119	−2	....	....
Mexico	+10	0	−35	−80	−38	−57	−8	−33[e]
Venezuela	+41	+18	+47	....	....	....	....	....
Chile	+26	+9	+5	+8	−10	+8	+4	−15[e]
Colombia	−2	−2	−10	−39	−36	+5	−27	−11[e]
Uruguay	+3	0	+1	−21	−9	−17	+7	....
Peru	+8	+4	+7	+3	−4	−1	−4	....
Dominican Republic	+2	0	+9	+17	+5	−5	+11	+7
Guatemala	−1	0	0	+3	−4	−6	....	....
North America:								
United States[h]	+72	+277	+1,207	+2,524	+2,358	+2,108	+1,531	+1,169
Canada	+50	+46	+100	+46	+50	+106	+78	+116
Oceania:								
Australia	+44	+14	+77	+60	−39	+57	+109	+68
New Zealand	+9	+2	+22	+33	−31	−37	+32	+13

[a] Imports valued f.o.b. for Union of South Africa, Philippines, Cuba, Mexico, Venezuela, Dominican Republic, Canada and Australia.

[b] Quarterly average for half-year.

[c] Two months only.

[d] Including Government trade.

[e] Five months only.

[f] For Italy and Poland, imports including UNRRA goods; for Italy, excluding purchases of surplus army property.

[g] Quarterly average for full year.

[h] General trade: imports valued f.o.b.; exports include Army Civilian Supply shipments.

International grants and credits of all types since the end of the war reached a total equivalent to nearly U. S. $32,000 million by November 1948. The several phases of international financial assistance since the end of the war are analysed in part I. Details of post-war grants and credits extended to date[a] are

Table 28. Post-war International
(in millions of

Recipient country	*Total*	*International agencies*[b]	*Governments**: *United States*[c]	*Governments**: *Others*[d]
TOTAL	31,990	5,094	19,531	7,365
Africa	32	1	29	2
Egypt	18	—	18	—
Ethiopia	6	1	3	2
Liberia	7	—	7	—
Union of South Africa	1	—	1	—
Asia	3,714	590	2,888	236
Burma	127	—	5	122
China	1,959	527	1,372[e]	60
India	67	52	15	—
Indonesia	143	—	104	39
Iran	39	—	39	—
Iraq	1	—	1	—
Japan	857	—	857	—
Korea	172	1	171	—
Lebanon	5	—	5	—
Pakistan	10	—	10	—
Philippines[f]	280	10	270	—
Saudi Arabia	29	—	29	—
Siam	25	—	10	15
Latin America	686	159	299	228
Bolivia	221	—	—	221
Brazil	165	75	90	—
Chile	74	25	49	—
Colombia	13	—	13	—
Costa Rica	1	1	—	—
Ecuador	3	—	3	—
Mexico	188	57	131	—
Nicaragua	1	1	—	—
Panama	2	—	2	—
Paraguay	7	—	—	7
Peru	5	—	5	—
Venezuela	6	—	6	—

* Governments Extending

Source	*Amount*
Total	26,896
Argentina	722
Australia	68
Austria	3
Belgium	280
Brazil	59
Canada	1,844
Czechoslovakia	4
Denmark	20
Egypt	14
France	10
Germany:	
French zone	15
U. K. and U. S. zones	108

Source: Compiled by United Nations Department of Economic Affairs on the basis of published sources.

[a] Covers the period from 1 July 1945 to approximately 1 November 1948 except for assistance under the European Recovery Program, for which amounts are included for the year ending 30 June 1949. Credits advanced under bilateral payments agreements are generally excluded, owing to lack of recent data, except those from Argentina, which are described in footnote [g] below. The credits included are amounts authorized, including unutilized balances, except in the case of Argentina for which net balances under payments agreements are used; grants, except for the European Recovery Program, represent amount utilized. No account is taken of repayments, but the table excludes a loan of $300 million by the United States Government to Canada, of which only $140 million was utilized and subsequently repaid from the proceeds of a loan of $150 million obtained from private investors in the United States. Surplus property credits are included at cost to recipient, not at original cost. Figures for individual countries differ from previous tabulations of the United Nations Department of Economic Affairs because of additional information and inclusion of lend-lease grants previously not allocated by recipient countries.

[b] Includes the following (in millions): United Nations Relief and Rehabilitation Administration—$3,662; International Bank for Reconstruction and Development—$634 (including loans to Brazil, Chile and Mexico); International Monetary Fund—$649; Bank for International Settlements—$1; United Nations International Children's Emergency Fund—$40; and International Refugee Organization—$108 (total contributions for the year ending 30 June 1948).

provided in table 28, which shows recipients and sources of such assistance. Additional details on the *operations of the International Bank for Reconstruction and Development* are given in table 29 and of the *International Monetary Fund* in table 30.

Grants and Credits by Governments[a]

United States dollars)

Recipient country	*Total*	*International agencies*[b]	*Governments**: *United States*[c]	*Governments**: *Others*[d]
Europe	25,887	3,451	15,987	6,449
Albania	66	26	—	40
Austria	784	138	500	146
Belgium	649	33	442	174[g]
Bulgaria	5	1	—	4
Czechoslovakia	392	269	30	93[g]
Denmark	235	50	140	45
Finland	206	5	114	87[g]
France	4,924	376	3,379	1,169[g]
Germany:				
French zone	116	—	100	16
U. K. and U. S. zones	2,707	—	1,657	1,050
Greece	1,003	354	542	107
Hungary	27	5	16	6
Iceland	11	—	11	—
Ireland	79	—	79	—
Italy	2,259	424	1,500	335[g]
Luxembourg[h]	12	12	—	—
Netherlands	1,360	283	777[i]	300[g]
Norway	336	10	181	145
Poland	1,114	485	78	551
Romania	4	4	—	—
Spain	219	—	—	219[g]
Sweden	56	—	49	7
Trieste	43	—	33	10
Turkey	154	5	140	9
USSR	820	249[j]	277	294
United Kingdom	7,882	300	5,942	1,640
Yugoslavia	424	422	—	2
Oceania	11	—	11	—
Australia	7	—	7	—
New Zealand	4	—	4	—
Not allocated by countries[k]	1,660	893	317	450

Grants and Credits

Source	*Amount*
India	15
Italy	47
Mexico	5
Netherlands	11
New Zealand	23
Norway	17
Sweden	550
Switzerland	17
Turkey	29
Union of South Africa	320
USSR	483
United Kingdom	2,659
United States	19,531
Uruguay	2
Yugoslavia	40

[c] Includes $4,875 million of loans and grants under the European Recovery Program.

[d] Includes $810 million of aid to be granted by countries participating in the European Recovery Program in exchange for "conditional" aid from the United States.

[e] Includes military lend-lease supplies and services of $722 million, of which $338 million represents transport of troops.

[f] Includes amounts received under the United States Philippine Rehabilitation Act of 1946, which authorized grants of approximately $620 million over a period of 4 years.

[g] Includes credit from Argentina. Several of the loans made by Argentina have been under payments agreements, but are included here because of their size and because of the availability of information on the net balance outstanding at the end of 1947, which is the amount included in the table (See Central Bank of Argentina, *Memoria Anual* for 1947).

[h] Additional amounts included under Belgium.

[i] Includes Indonesia.

[j] Includes UNRRA grants of $61 million to the Byelorussian Soviet Socialist Republic and $188 million to the Ukrainian Soviet Socialist Republic.

[k] Includes UNRRA expenditure for ocean freight not allocable by country; expenditures of the International Refugee Organization and the United Nations International Children's Emergency Fund; and expenditures for the Ryukyu and Mariana Islands by the United States and for the former Italian colonies by the United Kingdom.

Table 29. Operations of the International Bank for Reconstruction and Development

(in millions of United States dollars)

Borrower	Amount borrowed to 30 Sept 1948	Date of agreement	Unused balance 30 Sept 1948
TOTAL[a]	509.0		18.2
Repayable in U. S. dollars	503.0		18.2
France—Credit National	250.0	May 1947	—
Netherlands	190.0	Aug 1947	—
Netherlands shipping companies	12.0[b]	July 1948	—
Denmark	40.0	Aug 1947	15.0
Luxembourg	11.0	Aug 1947	3.2
Repayable in Belgian francs	2.0		—
Luxembourg	1.0	Aug 1947	—
Netherlands	1.0	Aug 1947	—
Repayable in Swiss francs:			
Netherlands	4.0	May 1948	—

Source: International Monetary Fund, *International Financial Statistics,* December 1948.

[a] Since compilation of the above table the International Bank for Reconstruction and Development has announced additional loans of $75 million to Brazil, $16 million to Chile and $34 million to Mexico.

[b] In August 1948 the Bank sold to private investors under its guarantee $8.1 million of the notes received in connexion with this loan.

Table 30. Operations of the International Monetary Fund

(in millions of United States dollars)

Currency purchased and purchasing country	Amount purchased: Total to 30 Nov 1948	1947	1948 to 30 Nov
TOTAL	648.9	467.7	181.2
United States dollars	631.5	461.7	169.8
Belgium	33.0	11.0	22.0
Chile	8.8	8.8	—
Costa Rica	0.5	—	0.5
Czechoslovakia	6.0	—	6.0
Denmark	10.2	3.4	6.8
Ethiopia	0.3	—	0.3
France	125.0	125.0	—
India	52.2	—	52.2
Mexico	22.5	22.5	—
Netherlands	62.5	46.0	16.5
Nicaragua	0.5	—	0.5
Norway	5.0	—	5.0
Turkey	5.0	5.0	—
United Kingdom	300.0	240.0	60.0
Pounds sterling:			
Netherlands	6.0	6.0	—
Belgian francs	11.4	—	11.4
Netherlands	6.8	—	6.8
Norway	4.6	—	4.6

Source: International Monetary Fund, *International Financial Statistics,* December 1948.

Operations under the European Recovery Program are summarized in table 31, which provides information on allotments, procurement authorizations and shipments.

Table 31. Operations of the United States Economic Cooperation Administration as on 15 November 1948

(in millions of United States dollars)

Recipient country[a]	Total allotments[b]	Loans	Procurement authorizations[c]	Shipments 31 Oct 1948[d]
TOTAL	4,630.6	838.2	3,130.8	1,281.3
Europe	4,355.6	838.2	2,979.0	1,199.7
Austria	216.0	—	141.0	60.9
Belgium-Luxembourg	132.3	50.0[e]	56.0	17.1
Denmark	87.0	25.0	69.9	15.1
France	959.7	170.0	846.7	366.4
Greece	162.0	—	106.6	40.1
Iceland	6.3	2.3	3.7	1.6
Ireland	60.0	60.0	22.9	—
Italy	541.0	50.0	330.4	117.0
Netherlands[f]	398.0	95.0	297.7	88.3
Norway	72.0	35.0	67.0	15.9
Sweden	20.0	10.0	—	—
Trieste	16.0	—	6.3	5.3
Turkey	10.0[g]	30.0	—	—
United Kingdom	1,235.0	310.9[h]	694.1	422.9
Western Germany:				
U. K. and U. S. zones	363.0	—	288.4	27.5
French zone	77.3	—	48.3	21.6
China	275.0	—	151.8	81.6

Source: Fifth Report of the Public Advisory Board of the Economic Cooperation Administration (Washington, D. C., 24 November 1948). The figures include ocean freight.

[a] Switzerland and Portugal are members of the Committee for European Economic Cooperation but have not requested aid.

[b] Tentative allocation of grants and loans.

[c] Permission to purchase with ECA funds.

[d] Based on documents received by ECA, which substantially underestimate actual shipments.

[e] Granted 24 November 1948.

[f] Including Indonesia.

[g] The total allotment to Turkey is reported as less than loans granted as on 15 November 1948.

[h] Including guarantee of a private investment in the United Kingdom for $850,000.

The *recommendations* made in October 1948 *by the Organization for European Economic Co-operation* (OEEC) for distribution among participating countries, of the $4,875 million assumed to be United States assistance under the European Recovery Program for the year ending 30 June 1949, are shown in table 32.

Under the arrangement suggested by the OEEC, countries with active balances in their transactions with other participants will receive a part of their grants from the United States on condition that they in turn grant equivalent amounts in their own currencies to their debtors, who thus receive "drawing rights" corresponding to the "conditional" aid received by the creditor countries.[1] Local currency to finance this conditional aid will be derived from the "counterpart" funds accumulated through the sale of ECA supplies in the respective creditor countries. The amounts of aid to be granted and received by European countries under this scheme are shown in table 32. It will be seen that the expected surplus of Belgium and the United Kingdom in their transactions with other European countries under the programme is reflected in the substantial amount of aid allotted to them conditionally and corresponds to the large drawing rights of other countries against them. While drawing rights are not transferable, grants in

[1] Offshore purchases in non-European countries are not affected by this arrangement. Excluding freight, offshore purchases totalled $1,109 million by 15 November 1948, distributed as follows (in millions of U. S. dollars): Canada, 471.8; Latin America, 216.5; European Recovery Program countries, 249.7; other European countries, 15.6; and other countries, 155.1.

sterling by the United Kingdom may be used for purchases in the whole sterling area. Various provisions are made to adjust the distribution of conditional aid, should the actual deficits and surpluses diverge from the estimates.

Although the settlements envisaged under this arrangement will be primarily on a bilateral basis, the granting of conditional dollar aid is linked with an agreement for multilateral settlement, on a limited scale, of payments among members of OEEC. Settlement between a net creditor and a net debtor of a particular country which has no other effect than reducing outstanding balances of currencies—"first category"—will be effected automatically without previous consent of the parties concerned. When the possibility of such compensation has been exhausted, and certain agreed and limited amounts of other balances have been used, debtor countries may employ their drawing rights automatically under the conditional aid scheme. As indicated above, currency supplied against these drawing rights is not transferable to third countries. Settlement—of the "second category"—involving an increase in one country's balances held with another country against a decrease in that country's balance with a third country will require the previous consent of the country whose currency is involved, as well as the country accepting the increased balance, so as to avoid payment in gold or dollars which would result if the credit lines under existing payments agreements were exceeded. Under the present pattern of European production and trade the great majority of possible compensations fall into this category.[1]

[1] Under a somewhat more restricted scheme in operation among most of the members of the Organization for European Economic Co-operation since December 1947, intra-European debts—and credits—subject to compensation totalled $700 million. About $400 million of this was net debt—or credit—which cannot be offset. Of the remaining $300 million, only about $30 to $50 million was reported susceptible of "first category" compensations (see Bank for International Settlements, *Eighteenth Annual Report,* June 1948, page 148).

Table 32. Distribution of Aid under European Recovery Program Recommended by the Organization for European Economic Co-operation Year ending 30 June 1949
(in millions of United States dollars)

Recipient country[a]	*Total dollar aid* (1)	*Grants among ERP countries to be* *Received*[b] (2)	*Given*[c] (3)	*"Net aid" received (Column 1 plus 2, less 3)* (4)
TOTAL	4,875	810.4	810.4	4,875.0
European creditor countries	2,625	185.2	749.9	2,060.3
Belgium	250	11.0	218.5	42.5
Italy	601	27.0	47.3	580.7
Sweden	47	9.8	34.8	22.0
Turkey	50	8.8	28.5	30.3
United Kingdom	1,263	30.0	312.0	981.0
Germany (U. K. and U. S. zones)	414	98.6	108.8	403.8
European debtor countries	2,142	625.2	60.5	2,706.7
Austria	217	66.6	3.1	280.5
Denmark	110	11.9	5.1	116.8
France	989	333.0	9.7	1,312.3
Greece	146	66.8	—	212.8
Netherlands[d]	496	83.0	11.3	567.7
Norway	84	48.3	16.5	115.8
Germany (French zone)	100	15.6	14.8	100.8
Other countries	108	—	—	108.0
Iceland	11	—	—	11.0
Ireland	79	—	—	79.0
Trieste	18	—	—	18.0

Source: Organization for European Economic Co-operation, *Report to E.C.A. on the First Annual Programme* (Paris, 16 October 1948).

Column 1 represents dollar aid proper and columns 2 and 3, the dollar equivalents of grants of the countries concerned, to and from other participating countries.

[a] Switzerland and Portugal requested no aid for the period in question.

[b] Right to draw on the currencies of other participating countries which in turn receive equivalent "conditional dollar aid."

[c] Equal to "conditional dollar aid."

[d] Including Indonesia.

PRICES AND COST OF LIVING

Wholesale prices and the cost of living generally continued to increase during the first nine months of 1948 but there were indications of a slackening of the rate of increase and in a few countries there were slight declines. Inflationary and deflationary pressures are dealt with in part I of this report. Wholesale price indices for individual countries are provided in table 33 and cost-of-living indices are given in table 34.

Table 33. Wholesale Prices: National Indices

Country	1937 = 100[a]			1946 first half = 100		
	1946 First half	*1947 Fourth quarter*	*1948 3 latest months*	*1947 First quarter*	*1948 3 latest months*	*1948 Last month reported*
Argentina (Buenos Aires)	204	227	249	106	122	Aug
Australia	141	156	172	101	122	Sept
Austria	....	446	473	....	....	Oct
Belgium	272	367	395	116	145	Sept
Bulgaria	625	805	....	115	....	....
Canada	126	168	184	110	146	Sept
Chile	209	314	351	128	168	Aug
China	281,951	7,770,691	278,090,498	354	98,631	Aug
Costa Rica (San José)	181	225	229	115	127	Mar
Czechoslovakia	281	315	331	110	118	Oct
Denmark	171	200	218	110	127	Oct
Dominican Republic (Ciudad Trujillo)	218	289	278	119	128	Oct
Egypt	321	309	335	94	104	Aug
El Salvador	210	299	314	135	150	Mar
Finland	538	781	914	112	170	Oct
France	618	1,333	2,045	159	331	Oct
Guatemala (Guatemala City)	109	127	133	111	122	Oct
Hungary	....	654	652	....	....	Oct
India	240	285	350	114	146	Oct
Indochina (Saigon)	....	1,358	1,761	....	....	Sept
Iran (Teheran)	521	582	601	102	115	June
Iraq (Baghdad)	484	596	489	97	101	Sept
Ireland	197	232	231	104	117	Sept
Italy	2,835	6,126	5,924	148	209	Sept
Japan (Tokyo)	889	6,390	12,381	218	1,393	Sept
Lebanon (Beirut)	908	798	783	91	86	June
Mexico (Mexico City)	239	254	276	109	115	Aug
Netherlands	224	255	257	110	115	Sept
New Zealand	157	174	183	99	117	July
Norway	165	175	178	102	108	Oct
Palestine	305	331	352	102	115	Feb
Peru (Lima)	224	357	400	121	179	Sept
Portugal (Lisbon)	231	228	239	102	103	Oct
Spain	295	393	404	122	137	Sept
Sweden	162	179	190	106	117	Sept
Switzerland	192	208	207	103	108	Oct
Tunisia (Tunis)	....	850	1,035	....	....	July
Turkey (Istanbul)	434	429	468	98	108	June
Union of South Africa	159	174	185	104	116	Sept
United Kingdom	159	186	203	106	128	Oct
United States	127	186	194	133	153	Oct
Venezuela (Caracas)	127	159	170	111	134	Aug

[a] Base period other than 1937: Austria, March 1938; Dominican Republic, 1941; El Salvador, 1939; Guatemala, January 1946; Indochina, January-June 1939; Iraq, December 1938-August 1939; Ireland, October 1938; Lebanon, June 1939; Tunisia, 1940.

Table 34. Cost of Living: National Indices[a]

Country	1937 = 100[b] 1946 First half	1947 Fourth quarter	1948 3 latest months	1946 first half = 100 1947 First quarter	1948 3 latest months	1948 Last month reported
Argentina (Buenos Aires)	155	187	189	109	122	Mar
Australia	130	140	150	103	115	Sept
Austria (Vienna)	....	451	453	....	....	Sept
Belgium	346	356	396	95	114	Oct
Brazil (São Paulo)	259	332	372	124	144	Aug
Burma (Rangoon)	....	371	366	....	....	Aug
Canada	120	142	157	105	131	Oct
Ceylon (Colombo)	224	250	260	111	116	Oct
Chile (Santiago)	261	400	439	133	168	July
China (Shanghai)	232,658	6,235,626	177,873,389	407	76,453	Aug
Colombia (Bogotá)	201	252	291	116	145	Aug
Costa Rica (San José)	176	212	213	118	121	June
Czechoslovakia (Prague)	342	316	317	101	93	Oct
Denmark	160	167	170	101	106	Oct
Dominican Republic (Ciudad Trujillo)	191	222	230	114	120	Oct
Egypt (Cairo)	287	281	282	98	98	May
Finland	449	706	811	114	181	July
France	572	1,501	1,722	171	301	May
Germany: French zone	....	122	123	....	....	June
U. K. zone	....	125	134	....	....	July
U. S. zone	....	126	129	....	....	May
Greece (Athens)	14,531	20,323	24,485	110	169	May
Guatemala (Guatemala City)	186	199	216	105	116	July
Hungary (Budapest)	....	505	447	....	....	Oct
Iceland (Reykjavik)	286	326	322	109	113	Oct
India (Bombay)	234	273	301	107	129	Sept
Indochina (Saigon)	....	2,785	3,465	....	....	Sept
Indonesia (Batavia)	....	1,852	1,104	....	....	Sept
Iran	726	734	779	95	107	July
Iraq (Baghdad)	574	708	718	95	125	Feb
Ireland	171	182	186	102	109	Aug
Italy	....	5,111	4,768	....	....	Sept
Lebanon (Beirut)	564	501	488	91	87	Aug
Luxembourg	269	296	304	103	113	Oct
Mexico (Mexico City)	290	353	376	119	130	Sept
Netherlands	....	199	205	....	....	June
New Zealand	123	133	136	100	111	June
Nicaragua (Managua)	737	849	850	114	115	Mar
Northern Rhodesia	128	139	141	106	110	June
Norway	163	163	163	102	100	Oct
Panama (Ciudad de Panamá)	164	199	204	117	124	Sept
Paraguay (Asunción)	232	324	332	119	143	Feb
Peru (Lima)	193	301	340	115	176	Sept
Philippines (Manila)	620	407	396	75	64	June
Poland (Warsaw)	8,970	12,580	13,010	127	145	Sept
Puerto Rico	150	182	179	121	119	Aug
Southern Rhodesia	131	139	146	102	111	Oct
Spain	332	441	447	124	135	Sept
Sweden	144	152	160	103	111	Sept
Switzerland	151	163	163	103	108	Oct
Tunisia (Tunis)	....	1,244	1,438	....	....	Mar
Turkey (Istanbul)	353	343	345	98	98	June
Union of South Africa	139	146	156	102	112	Sept
United Kingdom	132	103[c]	108[c]	100	....	Oct
United States	128	161	170	117	133	Oct
Uruguay (Montevideo)	150	179	175	112	117	July

[a] Cost of food for Guatemala, Indonesia, Nicaragua and Panama; food, fuel and soap for France and Tunisia; food and clothing for Mexico. Index of retail prices for Belgium.

[b] Base period other than 1937: Austria, April 1938; Brazil, 1939; Ceylon, Nov. 1938-April 1939; Dominican Republic, Nov. 1941; Egypt, June-August 1939; France and Germany, 1938; Iceland, January-March 1939; Indochina, January-June 1939; Indonesia, July 1938; Iraq, 1939; Italy, 1938; Lebanon, June-August 1939; Northern Rhodesia, August 1939; Panama, October 1939-June 1940; Paraguay, 1938; Puerto Rico, 15 March 1941; Southern Rhodesia, August 1939; Spain, July 1936; Tunisia and Turkey, 1938.

[c] New interim index; base: June 1947 = 100.

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