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August 16, 1984

To: Members of the Executive Board

From: The Secretary

Subject: World Economic Outlook - General Survey

The attached paper giving a general survey on the world economic outlook is being scheduled for Executive Board discussion on Friday, September 7, 1984.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact either Mr. Crockett (ext. (5)8982) or Mr. Deppler (ext. 72893).

Att: (1)

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INTERNATIONAL MONETARY FUND

World Economic Outlook - General Survey

Prepared by the Staff 1/

Approved by Wm. C. Hood

August 15, 1984

Contents

1/ The World Economic Outlook is a comprehensive interdepartmental project, coordinated in the Research Department, and drawing heavily on the specialized contributions of staff members from the five Area Departments, the Exchange and Trade Relations Department, the Fiscal Affairs Department, and the Research Department.

WORLD ECONOMIC OUTLOOK - GENERAL SURVEY

I. Introduction

Recent indicators suggest that activity in the world economy is strengthening more rapidly than projected by the staff six months ago (EBS/84/33, 3/2/84). This is especially true of the United States, but the staff has also revised upwards its growth projections for most other industrial countries--in the case of Japan and several of the smaller industrial countries by significant amounts. As a result, output in the industrial world is expected to increase by almost 5 percent in 1984, a revision of 1 1/4 percentage points from the estimate made six months ago, and the best growth performance in eight years. This quickening in the pace of recovery has not thus far been accompanied by any significant change in inflationary prospects. Indeed, price performance in the United States in the first half of 1984 has been somewhat better than expected while that in other industrial countries has been much as foreseen in EBS/84/33.

Economic recovery in the industrial countries is by now beginning to exert a significant impact on the developing world. The exports of developing countries have been growing vigorously for more than a year, and the effect of this on economic growth is becoming apparent. Output in these countries has been reviving since early 1983, and the rate of growth seems to be gathering pace in 1984. The staff now expects GDP in developing countries to increase by about 3 3/4 percent in 1984, the first time in five years that output will have grown significantly faster than population.

Recovery is also changing somewhat the contours of the adjustment and financing problem facing developing countries. The current account deficit of these countries continues to recede, and now seems likely to be rather smaller in 1984 than was foreseen in the last World Economic Outlook exercise. Perhaps more significant, however, is that the developing countries have clearly passed from the import compression phase of adjustment to the export expansion phase. As a result, it should become increasingly possible to combine the restoration of external creditworthiness with the resumption of more satisfactory domestic growth.

Looking ahead to 1985, the staff's projections for growth and inflation are much as they were in the March paper. They involve rates of growth in the industrial countries close to the underlying trend in productive potential, little further change in these countries' inflation rates, and a modest acceleration in output growth in developing countries (though still to a rate well below that achieved during the 1960-80 period). These projections should be regarded as highly tentative, however. Among the factors that differentiate the present conjuncture from earlier periods of cyclical recovery, and thus complicate forecasting, are: the unprecedentedly high level of real interest rates; the still-precarious financial position of many heavily indebted developing countries; the sizable disparities in fiscal policy and growth performance among industrial countries; and growing imbalances in the current account positions of some major countries. Other sources of concern include the very high level of unemployment in Europe, the weakness of growth among the smaller low-income developing countries, and the continued pressure in many countries for the protection of domestic industry from foreign competition.

As discussed in the body of this report, the current challenge to policy is to sustain and broaden the present recovery through actions that deal effectively with these problems and uncertainties. As far as the industrial countries are concerned, the overall policy strategy, adopted several years ago to deal with the twin problems of weak growth and rising inflation, remains valid, in the staff's view. This strategy involves monetary and fiscal policies that restore financial stability on a sustained basis; and structural reforms aimed at improving the efficiency with which markets function. Monetary policy has been applied in a manner that has been relatively successful in bringing inflation down and setting the stage for durable growth in private sector economic activity. In other areas, however, policy adaptations need to be made if the present opportunities are to be grasped. The strongly stimulative fiscal policy in the United States has contributed to expansion of demand at a pace that cannot be sustained much longer. Reflecting this, competition between the private and public sectors for funds is creating pressures in capital markets whose consequences are felt in interest rate and exchange rate developments around the world.

If the stimulus presently coming from the U.S. fiscal deficit is to be moderated, it becomes even more desirable that steps be taken to facilitate the emergence of conditions that would promote the smooth growth of activity in the rest of the world. Among policy actions that would contribute to this are measures to deal with some of the rigidities that discourage investment and employment in many countries, especially in Europe, and a vigorous attack on impediments to the growth of world trade.

This report also considers prospects for a satisfactory resolution of the debt problem, in the light of recent developments in the world economy. Rising interest rates have been a factor tending to increase developing countries' current payments obligations and to worsen debt service ratios. On the other hand, higher interest rates reflect, at least in part, strengthening economic activity in industrial countries, and this latter factor has permitted a compensating growth in exports. The staff's scenario analysis continues to suggest that a gradual reduction in debt burdens is compatible with a resumption of per capita income growth, provided that there is no sharp downturn in the industrial countries and that the developing countries themselves pursue adjustment policies that enable them to exploit adequately the growth of markets in the industrial world.

The remainder of this paper elaborates on the themes touched on above. Section II provides an assessment of recent economic developments and discusses the main features of the staff's revised projections. Section III appraises recent policy developments in industrial countries and considers the adaptations in policy that seem desirable in present circumstances. Section IV contains a review of the medium-term prospects for developing countries in the light of the changes in the prospective environment that have taken place since the March paper. Finally, Section V offers some suggestions for subjects on which Directors may care to offer comments in the course of their interventions.

II. Current Situation and Short-Term Prospects

1. Domestic economic developments

a. Industrial countries

(1) Output and employment

The economic recovery in the industrial world that began in early 1983 continues to be dominated by the strong pace of expansion in the United States (Appendix Table 1). However, there are increasing signs that other industrial countries are now beginning to participate more fully in the improving situation. The staff's latest projections for GNP involve growth estimates for 1984 that have been revised upwards from those made in March for 16 of 19 industrial countries. 1/

The weighted average increase in real output in the industrial countries as a group, which was 2 1/2 percent in 1983, is now projected to be almost 5 percent in the current year (against a forecast of just over 3 1/2 percent in the March paper). However, while all but two countries are expected to achieve increases in growth from 1983 to 1984, only seven are projected to record a rate of expansion of 3 percent or more; the median growth rate for the industrial group is estimated to be 2 1/2 percent. A key feature of the situation thus remains the disparity in output performance among industrial countries, with robust growth being achieved in the United States, moderate expansion taking place in Canada and Japan,

1/ Iceland and Luxembourg are not included in this comparison.

and a much more tentative recovery occurring in Europe. For 1985, with expansion in the United States decelerating, the disparity in growth rates should become less pronounced, and the weighted average increase in real GNP of the industrial countries is expected to recede to 3 1/2 percent.

As implied by the foregoing, growth rates rapid enough to absorb significant economic slack are concentrated in relatively few countries. For this reason, and also perhaps because of some procyclical increases in the size of the labor force, widespread improvements in the unemployment rate are not anticipated in 1984. With a very significant reduction in joblessness in the United States, the weighted average unemployment rate for the industrial countries is expected to decline to 8 percent from 8 3/4 percent in 1983, but for most countries decreases in unemployment, if any, will be modest. Unemployment rates of 10 percent or more are forecast in 8 of the 21 countries in the industrial group, in 1984 one more than in 1983. A gradual improvement of the employment outlook is projected for 1985, with the weighted average unemployment rate declining by about 1/4 percentage point to 7 3/4 percent.

The economic recovery began in the United States and Canada and its driving force continues to come from the North American industrial economies (Chart 1). Encouraged by moderating inflation, improving confidence, and an expansionary fiscal policy, the growth of domestic demand has outstripped that of productive potential for over a year and a half, especially in the United States. As a result, economic slack has been reduced and the net external balance has deteriorated, providing a strong output stimulus to other countries. While originating in the private consumption and residential construction sectors, the demand expansion has now spread to business fixed capital investment as well. (Relative to the cyclical output trough, business fixed investment in the United States was up by over 25 percent by the sixth quarter of the current recovery compared with only 5 1/2 percent at the same point in the recovery following the 1974-75 recession.)

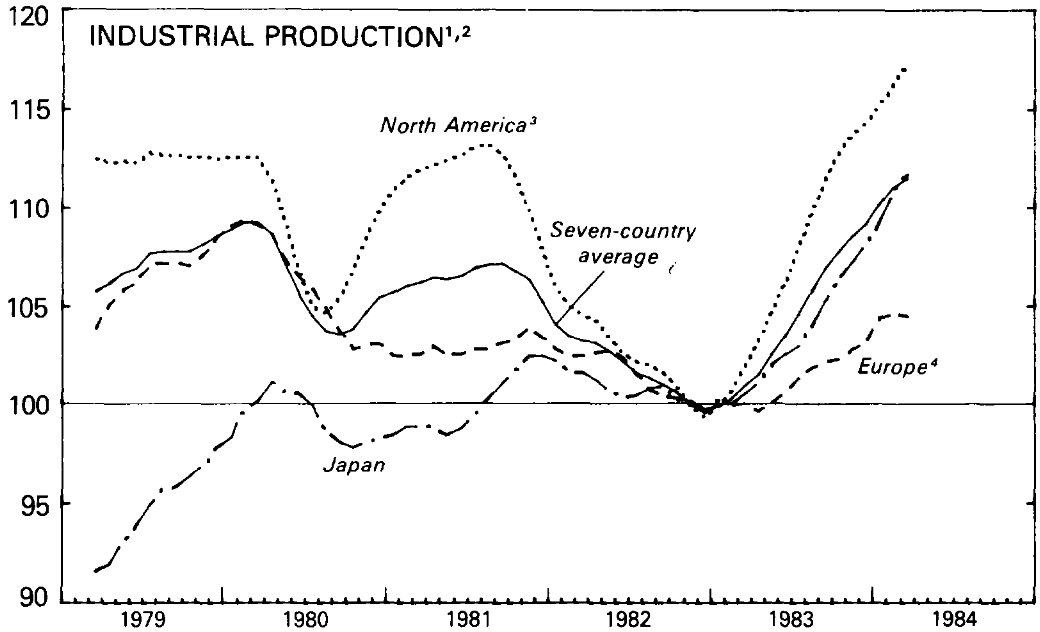
With the stronger-than-anticipated output performance in the first two quarters of the current year, the 1984 growth projection for the United States has been revised upward to 7 1/4 percent (from 5 percent in EBS/84/33). Looking to 1985, the 4 percent growth forecast implies that the pitfalls of overheating will be avoided and that a more or less smooth reversion to a trend rate of expansion will be achieved. While such a scenario appears attainable, it is by no means assured; some factors which could threaten a "soft landing" of the U.S. economy onto its potential growth path are discussed below.

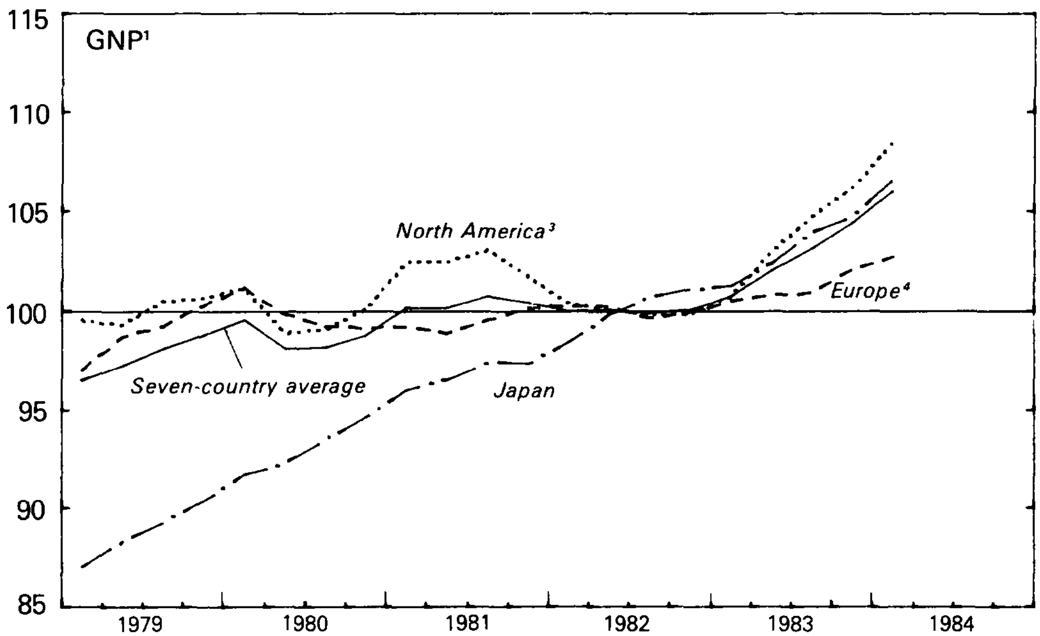
In contrast to the United States, growth rates in Europe have by and large not been sufficiently high to have had an appreciable impact in lowering unemployment and have been below those of previous

CHART 1

MAJOR INDUSTRIAL COUNTRIES: INDUSTRIAL PRODUCTION AND REAL GNP, 1979-MAY 1984

(Indices, 4th quarter 1982 = 100)





[1]Seasonally adjusted.
[2]Average for three months ending in month indicated.
[3]United States and Canada.
[4]The Federal Republic of Germany, France, Italy, and the United Kingdom.

recoveries. Moreover, with the exception of the United Kingdom, the other major countries have generally been net recipients of stimulus from abroad. The estimated growth of the Japanese economy in 1984 has been revised upward to 5 percent (compared with 4 percent in EBS/84/33), with both domestic and foreign demand showing faster expansion. However, the strength emanating from the external sector has only recently taken hold in the domestic economy. A continuation of this tendency is of considerable importance, as the projected growth rate of 4 percent for 1985 is predicated on a substantial measure of support from domestic demand.

In the case of the Federal Republic of Germany and the United Kingdom, there was some faltering of the pace of expansion in the early part of 1984. The coalminers' strike in the United Kingdom and the repercussions on output and competitiveness of the recent settlement of the metalworkers' strike in the Federal Republic of Germany are additional factors making for uncertainty in the current outlook. The staff's projections for output growth in these two countries are little changed from the forecasts made in March--about 2 1/2-2 3/4 percent in both 1984 and 1985.

Mainly because of the existence of more severe inflation and balance of payments constraints, recovery in France and Italy, and in many of the smaller industrial countries, has been slower in coming and more tentative. However, prospects now seem more favorable than they did six months ago. In France, real GDP is expected to increase by 1 1/4 percent this year and 1 3/4 percent next year. In Italy, estimated growth rates have been revised upward to 2 1/2 percent for both the current year and 1985. Some improvement is also becoming evident in the situation of the smaller industrial countries, reflecting their close economic ties with the larger countries and, in the case of Sweden, the impact of the large devaluation in late 1982. More complete data for 1983 show that recovery in the smaller countries was stronger in that year than the staff had initially supposed, with output having grown by almost 2 percent (against an estimate of 1 percent in EBS/84/33). As a group, these countries are now expected to grow by 3 percent in 1984 and 2 3/4 percent in 1985. These composite figures comprise a wide variety of individual country outlooks, but the trend toward a strengthening of growth prospects is characteristic of most countries; particularly robust gains are forecast for Australia and Finland.

As regards the main components of demand, private consumption growth in the industrial countries is projected to remain fairly strong through 1985, although concentrated in the North American economies and Japan. With the composite household saving rate tending to stabilize, this growth is due to improvements in real disposable income. Government final expenditure, on the other hand, is expected to continue to grow slowly, reflecting policies to limit public sector claims on the economy.

Housing investment, after a very sharp turnaround in 1983, has come under the pressure of rising interest rates and no further increase in this component of final expenditure is expected in 1985. Business fixed investment appears to be less affected, however, and in fact has been expanding at an unusually rapid pace for this stage of the cycle. The exceptionally buoyant trend of business fixed investment in the United States was mentioned above, but such investment spending has also shown strength recently in Japan, the United Kingdom, and the Federal Republic of Germany. In the seven major industrial countries as a group, business fixed capital formation has increased roughly twice as fast during the first year and a half of the present recovery as during the same period of the recovery that began in 1975, even though the growth of real GNP has been somewhat slower. This type of investment is projected to continue to expand vigorously through 1985. Demand for inventory accumulation is expected to exert a positive influence on output in the industrial countries equivalent to about 1 percent of GNP in 1984, before becoming a neutral factor in 1985. The effect of the net foreign balance is forecast to be negative in 1984, reflecting the surge in imports from developing countries, and to turn positive in 1985.

(2) Inflation and interest rates.

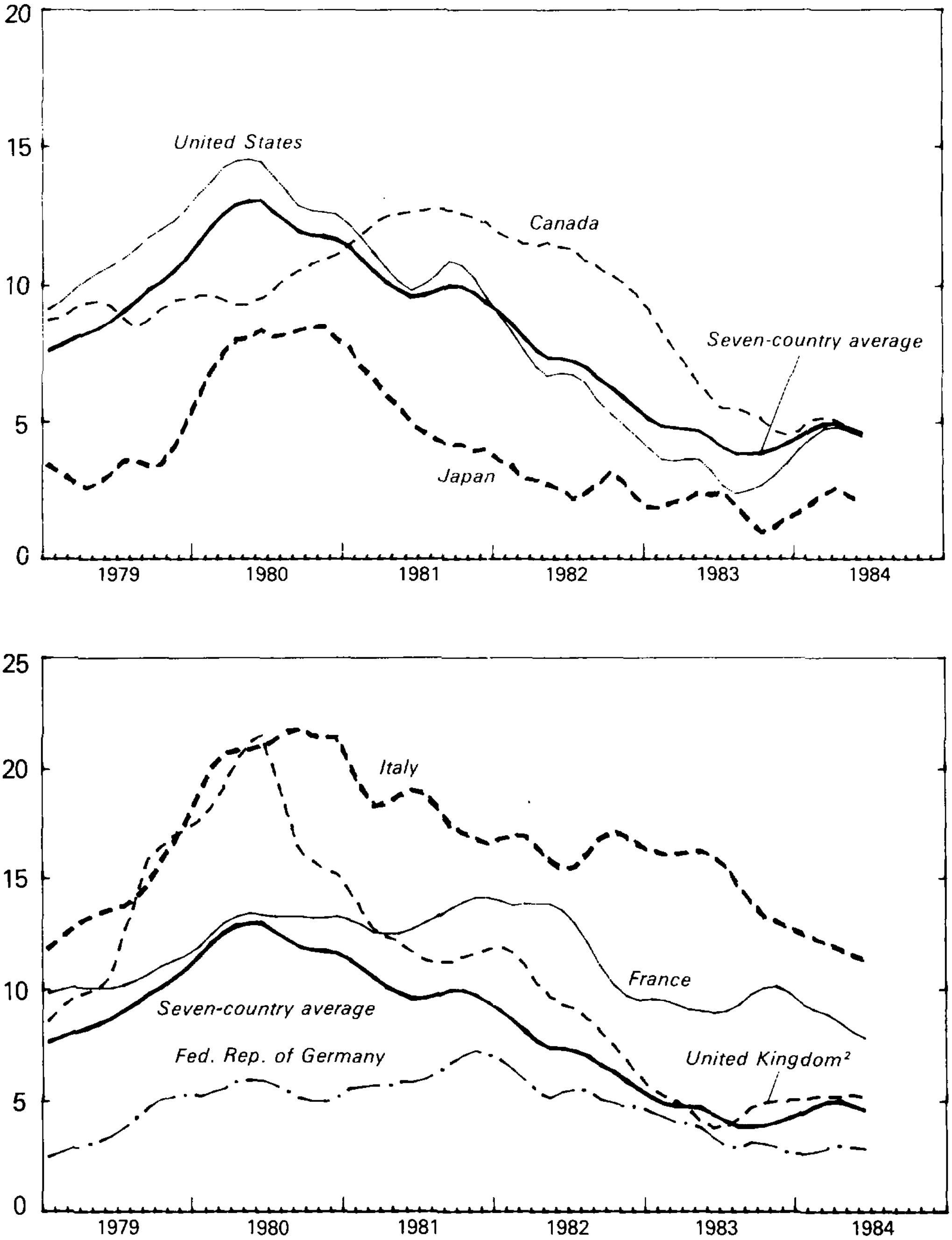
Because of the steadfastness with which anti-inflationary policies have been pursued, the fall in the inflation rate in industrial countries has been dramatic. The rise in the composite GNP deflator of these countries fell from 9 1/4 percent in 1980 to 5 percent in 1983 (Appendix Table 1), while consumer price inflation fell from 11 3/4 percent to 5 percent during the same period. Not only did the composite inflation rate decrease considerably, there was also a significant reduction in the dispersion of individual countries' rates (Chart 2), with the standard deviation about the mean rate dropping from 4.8 percentage points in 1980 to 3.6 percentage points in 1983.

Some further progress in reducing inflation is expected in 1984, with the composite GNP deflator of the industrial countries projected to increase by only 4 1/4 percent, and consumer price inflation expected to be below 7 percent by the end of the year in all countries except Italy, Ireland, Luxembourg, and Spain. However, as depicted in Chart 3, which shows year-over-year changes in the inflation rate in the seven major industrial countries (as measured by the composite CPI), progress in reducing inflation appears to be coming to an end. As measured by the rise in the GNP deflator, inflation in industrial countries is expected to stabilize at about 4 1/2 percent in 1985, a low rate by comparison with most of the post-1973 period, but still well above the average recorded in the 1950s and 1960s.

CHART 2

MAJOR INDUSTRIAL COUNTRIES: CONSUMER PRICES, 1979-JUNE 1984[1]

(Change in percent)



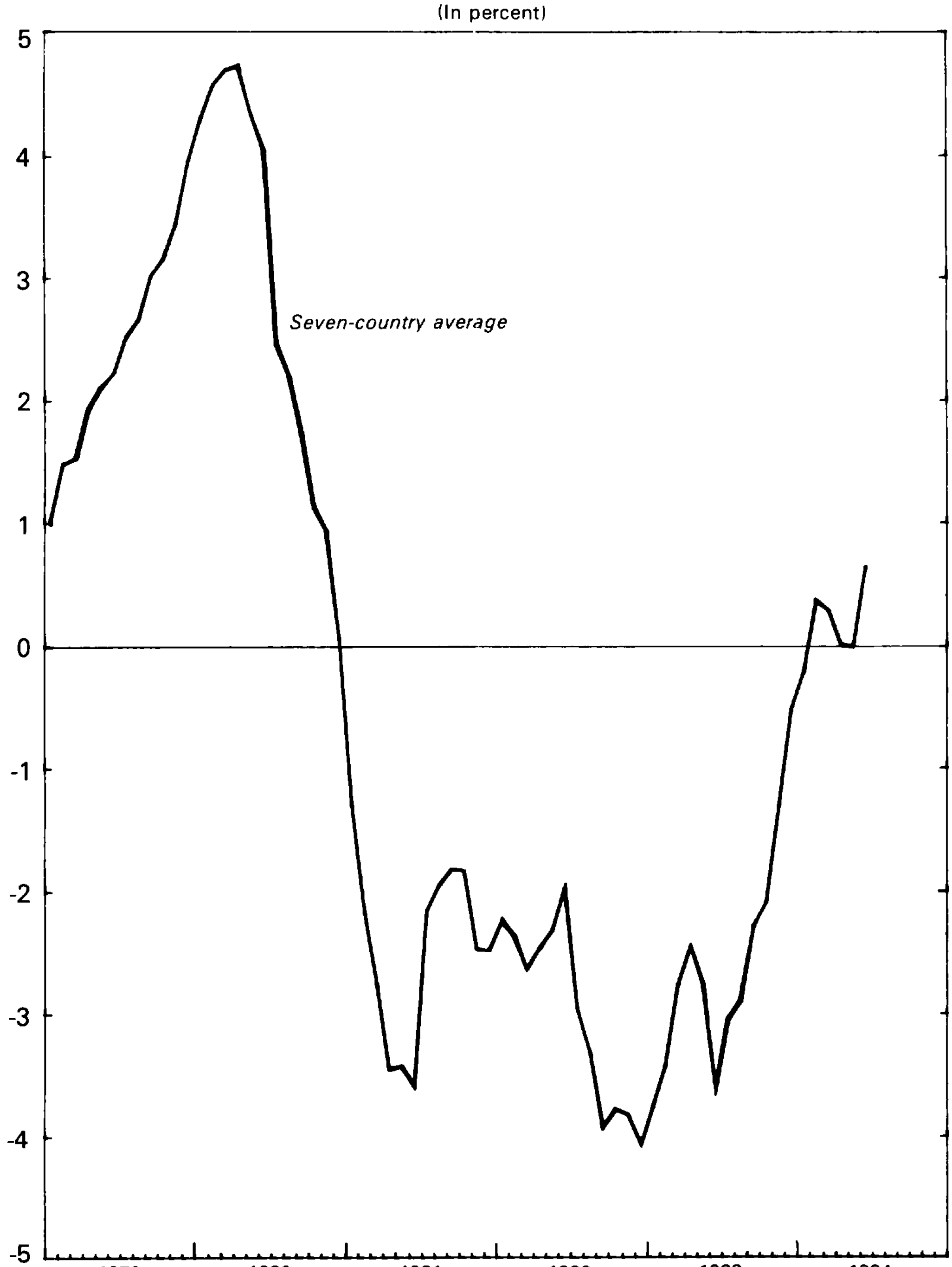
[1]Average of three months ending with month indicated over corresponding three months a year earlier.

[2]The figures for the second half of 1979 and the first half of 1980 were affected by the approximately 3 3/4 percent increase in value-added tax rates, effective June 18, 1979.

CHART 3

MAJOR INDUSTRIAL COUNTRIES: CHANGES IN CONSUMER PRICE INFLATION, 1979-JUNE 1984[1]

(In percent)



[1] Rise in composite consumer price index over twelve-month period ended in month indicated minus that for same twelve-month period a year earlier; a positive (negative) number indicates a year-over-year increase (decrease) in the inflation rate.

From the second half of 1981 to about mid-1983, nominal interest rates in the major industrial countries moved progressively downward. After mid-1982, this decline exceeded the fall in the concurrent rate of inflation, so that ex post real interest rates (defined as the nominal interest rate deflated by the actual inflation rate) also fell (Chart 4). However, starting around the middle of 1983, nominal interest rates began rising in the United States. Up to now, this rise in nominal interest rates has not been accompanied by any significant increase in inflation; therefore, estimated real interest rates have also risen. In the 12 months to mid-1984, real interest rates in the United States, both short-term and long-term increased by about 1 1/2 percentage points, the bulk of the rise occurring after March 1984. Among the other large economies (Japan, France, the Federal Republic of Germany, and the United Kingdom) real interest rates changed relatively little, on balance, over the twelve months to mid-1984.

(3) Uncertainties in the present situation

Although the prospects for the industrial countries described in this report are better than for some considerable time, a number of recent developments generate uncertainties concerning the path of economic activity and could undermine the sustainability of the present recovery. In fact, it could be argued that present risks and uncertainties are greater than usual for this phase of an expansion. Their emergence at such an early stage has significantly altered the policy options available to national authorities, as discussed in Section III below.

Perhaps the most noteworthy recent development has been the rise in interest rates on dollar denominated instruments during the second quarter of 1984. This firming of interest rates has several aspects which are significant. First, it took place from a level of rates that was already very high both in nominal and in real terms. Second, the excess of long-term rates over short-term rates was also very large and for a time was widening. Third, the upturn in rates appears to have occurred at an earlier point in the cycle, and when the recovery was less well established outside the United States, than had been the case previously. And fourth, it took place while corporate balance sheets in a number of industrial countries were still weak and the balance of payments positions of many highly indebted developing countries remained precarious.

Despite its recent strength, business fixed capital formation in the industrial countries could be undermined by high interest rates, especially if they were to increase further from present levels, with investment in longer-lived capital items being particularly vulnerable. Homebuilding has already been affected, and interest-sensitive consumption expenditures could also be curtailed. A sudden reversal of the inventory cycle could amplify the impact of such a cutback in final demand on output. With both higher debt servicing costs and less buoyant export markets, the problems of the debt-burdened developing countries would be compounded.

Of course, a main reason for higher interest rates in the United States, where such increases have been most significant, has been the very strength of the expansion, particularly in investment. The issue is whether tighter monetary conditions will be capable of restraining aggregate demand adequately without sending the economy into a downturn. A number of forecasters see a "growth recession" or even declining real output for a period during 1985 as demand adjusts under the pressure of higher interest rates. On the other hand, because the tightening of monetary conditions occurred relatively early in the upswing and because of the underlying strength in most sectors of the U.S. economy, the staff believes that a slowing of output growth can be achieved without disruptive overshooting. Even assuming the U.S. authorities are successful in this, however, the higher level of interest rates will continue to present difficulties for other industrial and developing countries.

The rapid pace of expansion in the United States raises the question of the stage at which capacity constraints may be encountered, leading to an inflationary bidding up of the prices of available supplies. Obviously, the growth of output cannot exceed that of productive potential indefinitely, with the length of time during which such a divergence can exist depending on the amount of capacity that was initially unutilized. However, potential capacity is not easy to define, especially following periods of sharp changes in relative factor prices and utilization rates, and serious bottlenecks could arise in certain sectors well before aggregate measures of capacity utilization reach critical levels.

Table II.1 contains some data on utilization of physical capital and labor in the seven major industrial countries since 1977. To give an indication of when concern about the level of resource utilization might be justified, data on capacity utilization in manufacturing and overall unemployment are presented for two years: the peak year of the 1977-80 upturn; and the year of lowest unemployment since 1977 in which there was no significant acceleration of inflation. These two years (in the Federal Republic of Germany they were the same) may be taken as indicating a zone in which attention needs to be paid to the rate of resource utilization. 1/

Data for a recent period are shown in columns 3 and 6 of Table II.1. There appears to be no problem as regards available labor supplies except perhaps in the United States. In that country, the very rapid decline in the unemployment rate to below the threshold level given by the non-accelerating inflation year indicates that the situation requires

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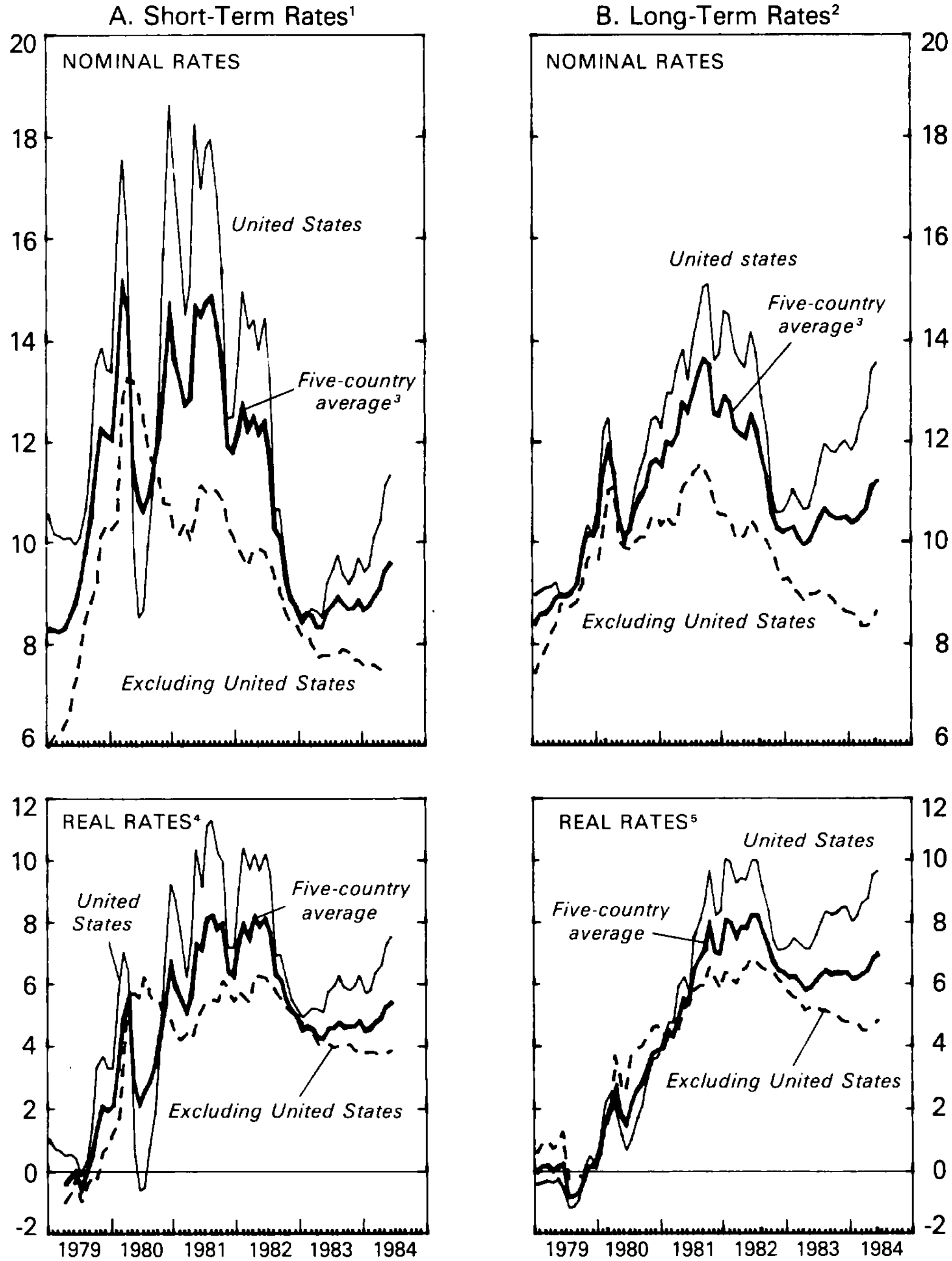
1/ While these data for the most recent cycle are regarded as the most appropriate for this purpose, it needs to be remembered that they are not necessarily typical of experience in other cycles.

CHART 4

FIVE MAJOR INDUSTRIAL COUNTRIES: INTEREST RATES,1979-JUNE1984

(In percent per annum)



[1]Monthly averages of daily rates on money market instruments of about 90 days' maturity.
[2]Monthly averages of daily or weekly yields on government bonds, with maturities ranging from 7 years for from 7 years for Japan to 20 years for the United States and the United Kingdom.
[3]The United States, Japan, France, the Federal Republic of Germany, and the United Kingdom.
[4]Short-term interest rates deflated by a weighted average of the increase in the private final domestic demand deflator in the current and the following two quarters; for the most recent periods, staff projections of the deflator are used.
[5]Long-term interest rates deflated as indicated in footnote 4.

Table II.1. Major Industrial Countries: Physical Capital and Labor Utilization Indicators

(In percent)

	Capacity Utilization Rate in Manufacturing			Overall Unemployment Rate		
	1977-80 annual peak 1/	Non-accelerating inflation year with lowest unemployment 2/	Recent period 3/	1977-80 annual peak 1/	Non-accelerating inflation year with lowest unemployment 2/	Recent period 4/
Canada	85.7	78.6	72.4 5/	7.5	7.6	11.0
United States	86.0	79.4	80.8	5.9	7.6	7.5
Japan	-12 6/	-43 6/	-25 6/	2.0	2.0	2.8
France	81.9	80.0	78.1	6.2	4.7	10.1
Germany, Fed. Rep. of	84.7	84.7	81.2	3.3	3.3	8.3
Italy	76.6 7/	74.4 7/	70.9 5/7/	7.7	7.2	10.4
United Kingdom	41 8/	35 8/	37 8/	5.1	5.5	12.7

1/ Year of peak capacity utilization: 1980 for Japan, 1979 for the other six countries.

2/ Year of lowest unemployment rate since 1977 in which the rise in the inflation rate, if any, was less than one half percentage point: 1977 for Japan and France, 1978 for Italy and the United Kingdom, 1979 for the Federal Republic of Germany, and 1981 for Canada and the United States.

3/ First quarter 1984 except as indicated.

4/ July 1984 for Canada, the United States, the Federal Republic of Germany, and the United Kingdom; June 1984 for Japan, and France; April 1984 for Italy.

5/ Fourth quarter 1983.

6/ Judgment on capacity utilization (percent of respondents indicating insufficient capacity, minus percent indicating excess capacity).

7/ Total industry.

8/ Percent of firms operating at full capacity (percent).

monitoring, especially in light of the current contract negotiations in the automobile industry. Unduly large wage settlements could lead to a revival of inflationary expectations that would undermine the basis for sustained growth. Even in some countries where overall unemployment remains high (e.g., the United Kingdom and the Federal Republic of Germany), prospects for price stability could be adversely affected if labor disputes result in increases in unit labor costs that subsequently spread to other industries. With respect to the physical capital stock, the United States, Japan, and the United Kingdom all have capacity utilization rates above the level at which, in the last cycle, inflation began to accelerate.

Inflation and growth prospects are also dependent on trends in productivity. Increases in output per manhour, adjusted for cyclical factors, remain well below the rates achieved in the late 1960s and early 1970s in virtually every country. As the transitory positive effect of the recovery passes, potential growth rates of output and real income will continue to remain below those of the pre-1973 period unless means can be found to restore more rapid productivity gains. With the postwar "baby boom" generation having been absorbed into the labor force, demographic factors could contribute to improved productivity performance, especially in the United States. Both in that country and in Europe, however, truly significant improvements will be dependent on greater rates of investment and increased flexibility of factor utilization.

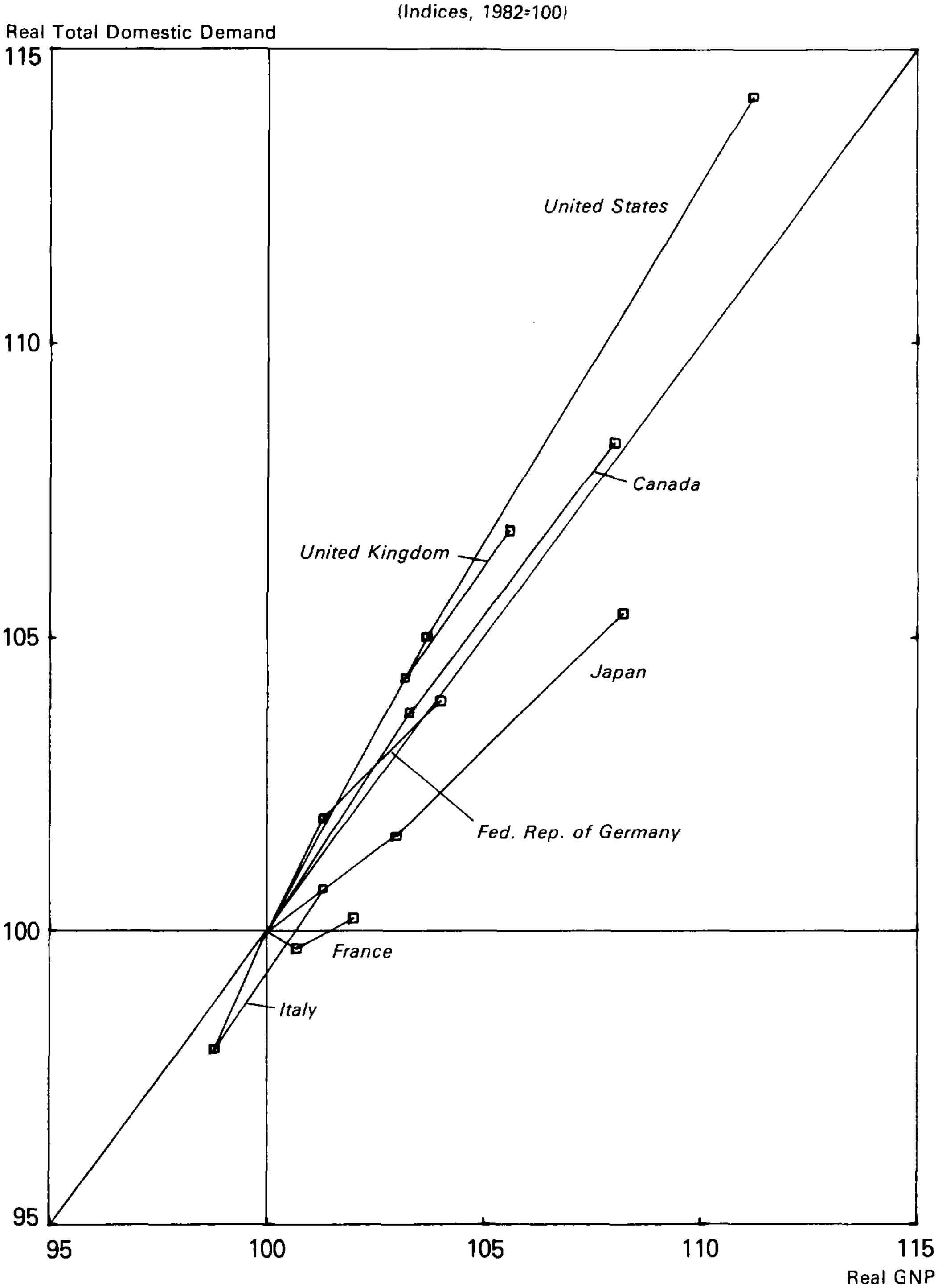
An aspect of the present recovery that has been a source of concern from the beginning is its unbalanced nature. Not only have growth rates of real GNP diverged significantly across countries, as indicated above, but growth rates of real total domestic demand, which reflect the stimulus to output originating in the economy concerned, have differed even more. This can be seen from Chart 5, in which indices of real GNP and real total domestic demand for 1983 and 1984 (estimated) are plotted. The 1982 values of these variables are set equal to 100 and are plotted at the origin; the first point on the country vectors represents 1983 and the second point 1984. Measured horizontally, the differences between the country points represent variations in GNP growth; measured vertically, they represent variations in growth of total domestic demand. Points along the 45-degree line indicate GNP and total domestic demand growth at the same pace.

A striking fact illustrated by Chart 5 is the extent to which relatively rapid growth of domestic demand contributed to strong output expansion in the United States, Canada, and the United Kingdom in 1983 and is projected to continue to contribute in the United States in 1984. On the other hand, domestic demand grew at a much slower pace than output in 1983 in Japan. With the relative contribution of domestic demand forecast to decline in 1984 in Canada and the United Kingdom as well as in the Federal Republic of Germany, as indicated by the flattening of their

CHART 5

MAJOR INDUSTRIAL COUNTRIES: GROWTH OF REAL GNP AND REAL TOTAL DOMESTIC DEMAND, 1983-84[1]

(Indices, 1982=100)



[1] First point from origin represents 1983 and second point 1984 (estimated).

respective vectors, some counterweight is provided by the strengthening of domestic demand projected for Japan. Such a spreading of sources of growth in the world economy is important to underpin the expansion and for the sustainability of global current account balances.

b. Developing countries

Because of the recovery in industrial countries, output trends in the developing world are tending to firm. Largely as a result of stronger than expected exports, there has been a modest upward revision in the staff's estimate of non-oil developing countries' growth in 1983 and a similar upward revision has been made to the projections for these countries for 1984. The new figures show that economic growth in non-oil developing countries, which had slowed continuously from over 6 percent in 1978 to about 1 3/4 percent in 1982, edged up in 1983, and is projected to accelerate to about 3 3/4 percent in 1984. Prospects for 1985 are more uncertain, but the staff believes a further increase in growth, to 4 1/4 percent, is possible in that year.

A better appreciation of the timing and magnitude of the shift in output trends in the non-oil developing countries group, is provided by short-term indicators for some of these countries. Especially noteworthy in this context are the data on industrial production. While such data are available on a current basis for only 13, relatively advanced, developing countries, those that do exist point to a marked turnaround. By the first quarter of 1984, industrial production in these countries was increasing at an annual rate of 12 percent and had reached a level 6 percent above a year earlier (Chart 6).

Although considerable, these increases in output are broadly what would be expected given the rate of growth of industrial country demand. Industrial country imports from non-oil developing countries, which had stagnated in 1981, increased by 3 1/2 percent in 1982 and by over 5 percent in 1983. Further, the rate of increase accelerated sharply throughout 1983, and by the first quarter of 1984, the volume of non-oil developing countries' exports to industrial countries was some 17-18 percent above the level of a year earlier. Since these exports account for roughly a tenth of the aggregate GDP of the non-oil developing countries, this acceleration in industrial country import demand would, by itself, account for a 1 1/2 percentage point increase in LDC growth rates, even before allowance is made for secondary effects.

The recovery in the industrial world is, however, benefiting some countries more than others. Asian countries are registering well above average increases in both industrial production and exports, and are expected to grow by an average of 6 1/2 percent in 1984. This good performance is partly accounted for by such traditionally strong exporting countries as Korea and Singapore, but other Asian countries, including China, India, and Malaysia have also had substantial increases in output. In Africa and Europe, on the other hand, the growth of output and exports, while significant, has nevertheless tended to be less marked than in Asia. This is partly because of the relative concentration of these countries' exports in the European market where the cyclical surge in imports has been less pronounced. It is in the Western Hemisphere countries that the recovery in output has been weakest thus far. In that region, the considerable expansionary pull stemming from the rise in exports has been counteracted by the need to reorient policies so as to curb inflationary pressures, adjust relative prices, and improve government finances. While these policies are expected to enhance the prospects for durable growth in the longer term, they serve to limit the rate of output increase that can be achieved in the short term. GDP growth in the Western Hemisphere is projected to average only about 1 percent in 1984, and 3 1/2 percent in 1985. Nevertheless, the resumption of growth in Latin America represents a significant change from the 1 1/4 and 2 3/4 percent declines in output in 1982 and 1983.

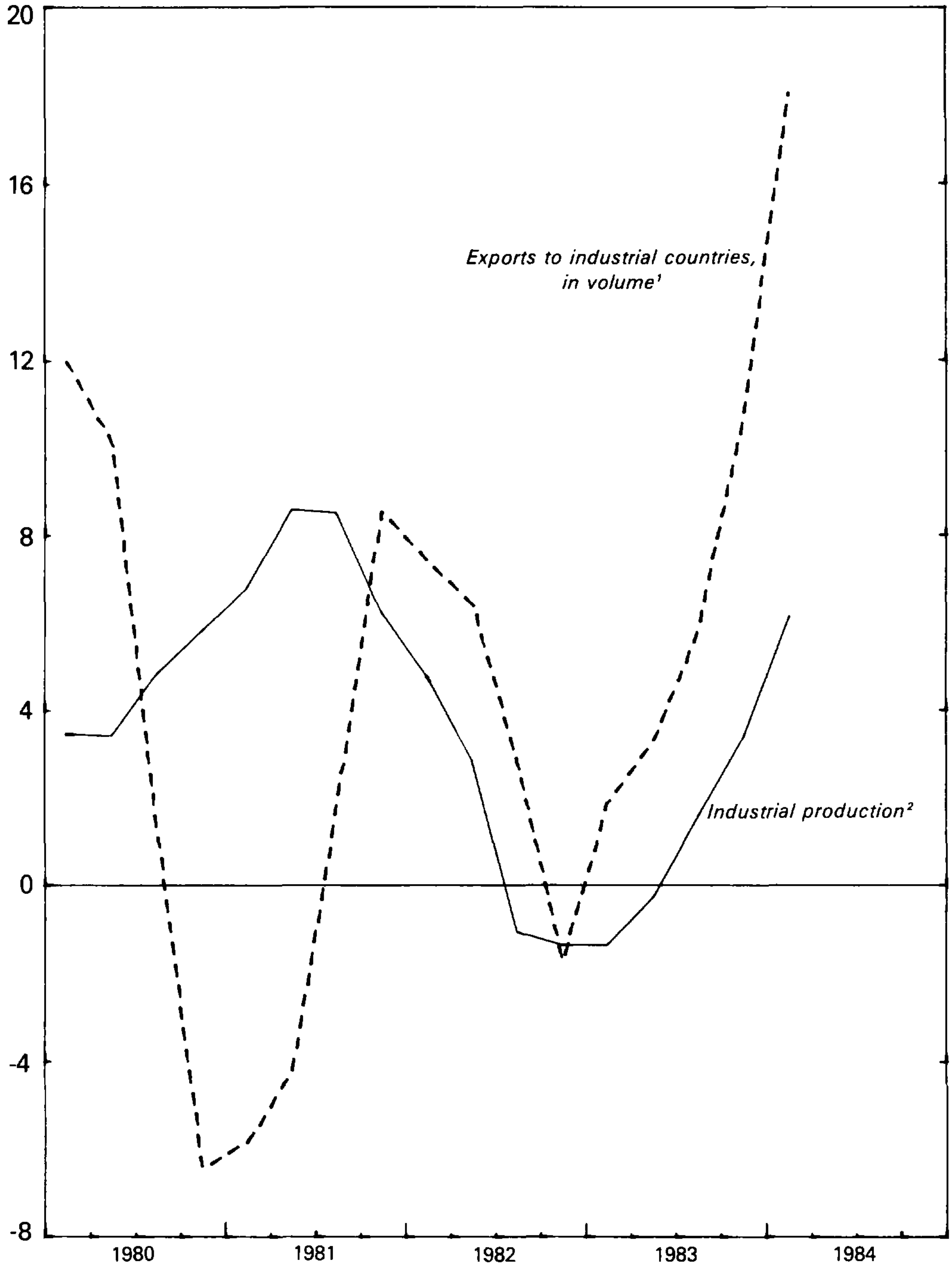
The weakness of GDP growth rates in non-oil developing countries is only a partial measure of the hardships faced by these countries over the past several years. When allowance is made for the concurrent growth of population, per capita output levels in 1983 may be seen to have been little changed from what they had been three years earlier. When it is also taken into account that much of the increase in output went to improve the balance of payments, per capita absorption in 1983 was, on average, probably about 3-4 percent below its 1980 level, despite an increase of almost 7 percent in aggregate GDP. Such an average, moreover, conceals a wide diversity of experience among regions. Whereas Asian and Middle Eastern countries had satisfactory increases in domestic demand from 1980 to 1983, the other regions experienced an absolute decline in living standards, ranging up to some 15 percent, as an average, in Western Hemisphere countries. In this connection, mention should also be made of the many low income countries in Africa, where the recent declines in living standards are from an already low level, and follow several years of virtually no growth in per capita incomes.

Output among the <u>oil exporting countries</u> is also being stimulated by the recovery of demand in the industrial countries. In the oil sector, output is expected to rise by about 4-5 percent per year in 1984 and 1985. This represents a significant change from the continuous declines in output (averaging some 12 1/2 percent per annum) that prevailed during the years from 1980 to 1983. With an improvement in economic conditions in a few countries that had experienced severe financial difficulties in 1983, and some easing of the restraints on government expenditures in other countries in the group, activity in the non-oil sectors of these countries is also strengthening. Average growth in non-oil output of the oil-exporting group had slackened from over 5 percent in 1981 to less than

CHART 6

NON-OIL DEVELOPING COUNTRIES: EXPORTS AND INDUSTRIAL PRODUCTION, 1980-FIRST QUARTER 1984

(Percentage changes over corresponding period in preceding year)



[1]Imports of industrial countries from non-oil developing countries reported in *Direction of Trade* deflated by export unit values for non-oil developing countries.
[2]Sample of 13 countries for which up-to-date monthly industrial production data are presented in *International Financial statistics*. Country indices weighted by the dollar value of GDPs in 1979-81.

2 percent in 1983 due mainly to cutbacks in public sector spending prompted by the fall in oil revenues. This adjustment now seems largely complete and average output in the non-oil sectors is projected to rise by 3 1/2 percent in 1984 and by almost 5 percent in 1985. In general, however, the beneficial impact of the recovery in the industrial countries on oil exporting countries has not been sufficient to offset other factors making for a downward revision to the staff's previous projection. Overall, the rise in output among oil exporting countries in 1984 is now put at 3 3/4 percent, or 1 percentage point less than estimated earlier.

The slowing of inflation among developing countries projected by the staff in the early months of this year no longer seems likely to be realized (Appendix Table 3). Inflation in 1984 is now expected to remain at least as high as in 1983, both in oil exporting countries and among the non-oil group. The failure of rates of price increase to decline as expected is, however, wholly accounted for by higher inflation (on a year-over-year basis) in five countries that already had triple digit rates of price increase. 1/ Average inflation in these five countries, taken together, had risen continuously from 66 percent in 1978 to 170 percent in 1983 and is now projected to reach some 226 percent in 1984. For the other non-oil developing countries, inflation is slowing, from an average rate of 21 percent in 1983 to an estimated 17 percent in 1984. With much of this deceleration owing to a few of the larger countries, notably Mexico, inflation in the "typical" developing country, as represented by the median rate of price increase, seems to have stabilized at about 10 percent. Looking ahead to 1985, a significant decrease in average inflation is expected as adjustment programs begin to exert a stronger influence on price trends in countries with above-average inflation; the median rate of price increase is expected to be little changed, however.

The increasing disparity between the price performance of the five high inflation countries and that of other non-oil developing countries has been associated with a divergence in growth trends also. Output in the five countries, which during the second half of the 1970s had risen in line with that of other non-oil developing countries, declined by close to 1 1/2 percent per annum from 1980 to 1983 whereas that of other non-oil developing countries rose at an annual average rate of 3 percent.

The output and price developments described above are to a considerable extent reflections of corresponding developments in some of the main financial aggregates. The sluggishness of GDP in 1983 and 1984 relative to that of industrial countries, for instance, stems in part from the widespread adoption of measures to curtail unsustainable fiscal deficits. The weighted average budget deficit of non-oil developing countries has declined from the peak of 4 3/4 percent of GDP reached in 1982 to a projected 3 3/4 percent this year. Since the adjustments

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1/ Argentina, Bolivia, Brazil, Israel, and Peru.

that are under way are relatively larger in smaller countries, the median deficit is expected to drop by some 2 percent of GDP over this period. As already noted, these developments improve the prospects for durable growth in the longer term, even if their immediate impact is to restrain output. Monetary policy developments have also affected the inflation trends noted above. In the five triple-digit inflation countries referred to earlier, average rates of monetary expansion have accelerated from 79 percent in 1980 to 204 percent in 1983. In the main, however, financial policies in developing countries are distinctly less accommodative than they were a few years ago. For the developing countries as a whole, the median rate of expansion in broad money has dropped from 21 percent in 1980 to 16 1/2 percent in 1983.

2. Balance of payments and exchange rate developments

a. Overview

Global payments prospects now seem rather more favorable than in the staff's assessment of six months ago. World trade is expanding more rapidly than foreseen at that time; current account deficits among non-oil developing countries are likely to be lower than previously expected; and the financing situation of these countries seems, if anything, to have eased. Against these signs of improvement must be set two developments which cloud the outlook: the renewed appreciation of the U.S. dollar despite the continuing slide in the U.S. current account balance (Section (c) below); and the rise in dollar interest rates, by some 2 percentage points during the first half of 1984.

In the short term, the main factor influencing the global payments situation has been the rapid rise in industrial country imports. In the second quarter of 1984, these imports were some 14 percent above year-earlier levels in real terms and 19-20 percent above what they were in the fourth quarter of 1982. Year-on-year, industrial country imports are expected to increase by over 12 percent in 1984 (Appendix Table 9). Although imports of developing countries are projected to be much more subdued, they also are expected to rebound from the 4 1/2 percent declines registered in 1982 and 1983 and to increase by 3 1/2 percent in 1984. As a result, the volume of world trade is now forecast to grow by 8 1/2 percent in 1984, 3 percentage points faster than projected six months ago.

Despite the buoyancy in trade volumes, world trade prices have remained quite subdued (Appendix Table 10). Prices for both manufactures and primary commodities were broadly stable in terms of U.S. dollars during the first half of 1984. Despite the decline in commodity prices in mid-1984, world trade prices are expected to rise moderately (3-4 percent per annum) over the balance of the forecast period (apart from oil prices which are assumed to remain unchanged to end-1985). If these projections materialize, terms of trade changes would be relatively small. For the non-oil developing countries a 1 percent gain in the terms of trade is expected in 1984 as a result of lagged adjustments to the rise in spot commodity prices that occurred in 1983. Such a gain must be regarded as quite small given the strength of the upturn in industrial countries and the fact that, in historical perspective, commodity prices remain low relative to those of manufactured products. For the oil exporting countries, terms of trade losses of 2 1/2 percent and 3 1/2 percent are projected for 1984 and 1985, respectively.

The surge in industrial country imports is changing the global distribution of current account balances. The combined balance of industrial countries is projected to shift from approximate balance in 1981-83 to deficits of some $30 billion in 1984 and $45 billion in 1985 (Appendix Table 17). This shift is a fairly normal cyclical phenomenon and is of concern primarily because it is associated with large disequilibria for individual countries (Section (c) below).

The recovery-induced weakening in the payments balance of the industrial countries is reflected in an improvement in the position of developing countries and also in a widening of the "statistical discrepancy" in global current account balances. The combined deficit of the oil exporting countries is expected to be halved from 1983 to 1984, while the deficit of non-oil developing countries is expected to continue falling. The improvement for the latter countries is essentially attributable to growing exports, a development which also serves to finance a considerable rise in imports and interest payments. The financing situation appears to have stabilized, with many creditworthy countries probably reluctant to borrow significant sums at prevailing interest rates, and with many others having reduced their deficits to manageable, even if not spontaneously financeable, proportions.

b. Payments situation and prospects of developing countries

(1) Current account developments

The most notable feature of the external position of non-oil developing countries continues to be the size of the reduction in their current account deficit. For the group as a whole, the deficit has been more than halved, from $109 billion in 1981 to less than $53 billion in 1983 (Appendix Table 17). This adjustment is continuing, albeit at a reduced pace, and the deficit is expected to be $45 billion for 1984 as a whole. The deficit during the first half of the year was probably even less than that at an annual rate, but some reversal is expected during the second half of the year as import levels are adjusted. In 1985 the deficit is expected to stabilize at about $45 billion. Deficits of this magnitude would represent 9 percent of exports of goods and services in 1984 and just over 8 percent in 1985 (as compared with a ratio of 24 1/2 percent in 1981). Viewed in these terms, prospective deficits among the non-oil developing countries are the lowest in at least twenty years.

The adjustment in the non-oil developing countries' current account balances has had two quite distinct phases. The first was a massive import compression phase. The second was an equally impressive, and still continuing, export expansion phase. These two stages are discussed in turn.

--The import compression phase. By 1981, the rapid worsening in current account balances stemming from terms of trade shifts, the international recession, and the sharp rise in real interest rates had prompted a number of countries to undertake measures aimed at alleviating external imbalances. These efforts were given added impetus by a reappraisal of the creditworthiness of developing country borrowers by private creditors who became increasingly reluctant to provide additional financing. Reflecting these factors, imports of developing countries from industrial countries fell by about 20 percent in U.S. dollar terms from early-1981 to late-1982 (Chart 7). From that time on, the financing packages put together in association with Fund programs seem to have been sufficient to stabilize the level of imports, although these remained at their significantly reduced level for all of 1983 before beginning to move up in 1984.

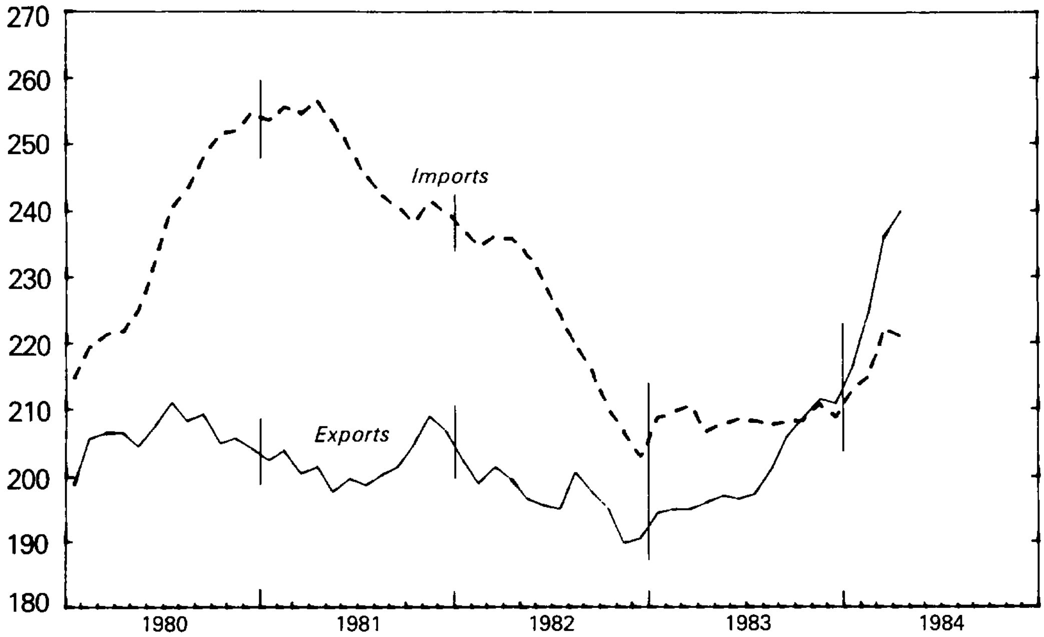
--The export expansion phase. The trough in imports of non-oil developing countries in the fourth quarter of 1982 coincided with the beginning of recovery in output in the industrial countries. From then on, GDP growth in the latter countries gathered strength and their imports increased markedly. As a result, exports of non-oil developing countries increased from some $190 billion (at an annual rate) in the fourth quarter of 1982 to some $240 billion in the first quarter of 1984. This surge in exports--which, at annual rates, matches the earlier compression of imports--is wholly attributable to the growth of industrial country markets and does not seem to reflect gains in the developing countries' share of these markets (Chart 8). Such lack of observed share gains is somewhat surprising given the extensive array of policy actions, including exchange rate adjustment, taken by non-oil developing countries to spur their exports. To some extent it may reflect protectionist actions in the importing countries.

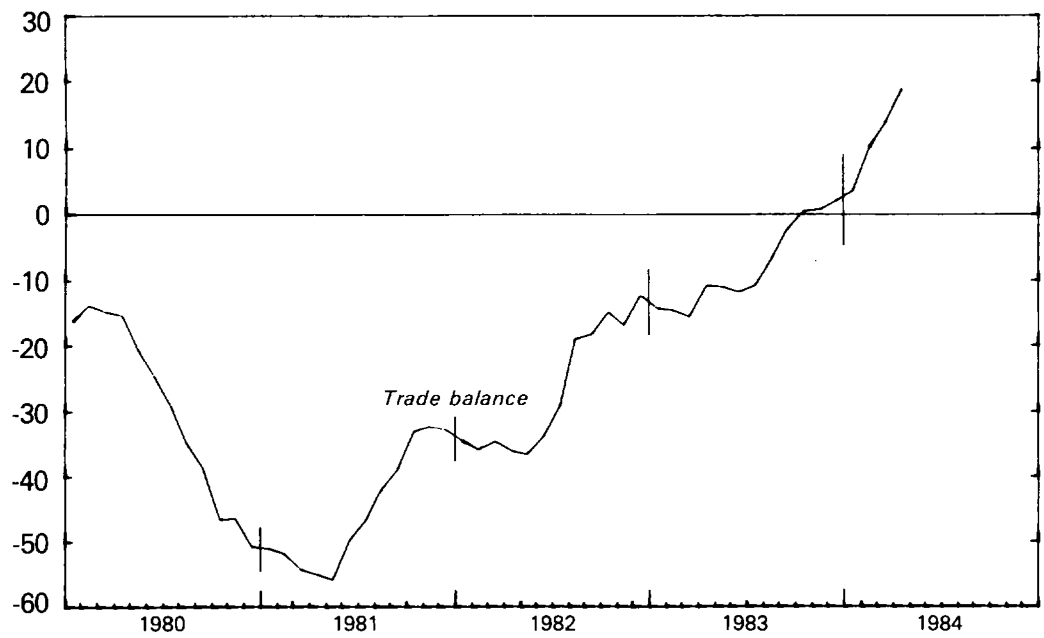
In combination, the compression of imports and the expansion of exports have brought about a dramatic change in the non-oil developing countries' trade balances. In terms of the data shown in Chart 7, the trade balance vis-a-vis industrial countries has improved more or less continuously since the second quarter of 1981, with the improvement by the first quarter of 1984 having reached $70 billion at an annual rate. The continuing expansion of exports is expected to provide the "room"

CHART 7

NON-OIL DEVELOPING COUNTRIES: TRADE WITH INDUSTRIAL COUNTRIES, 1980-APRIL 1984[1]

(In billions of dollars, seasonally adjusted annual rates)



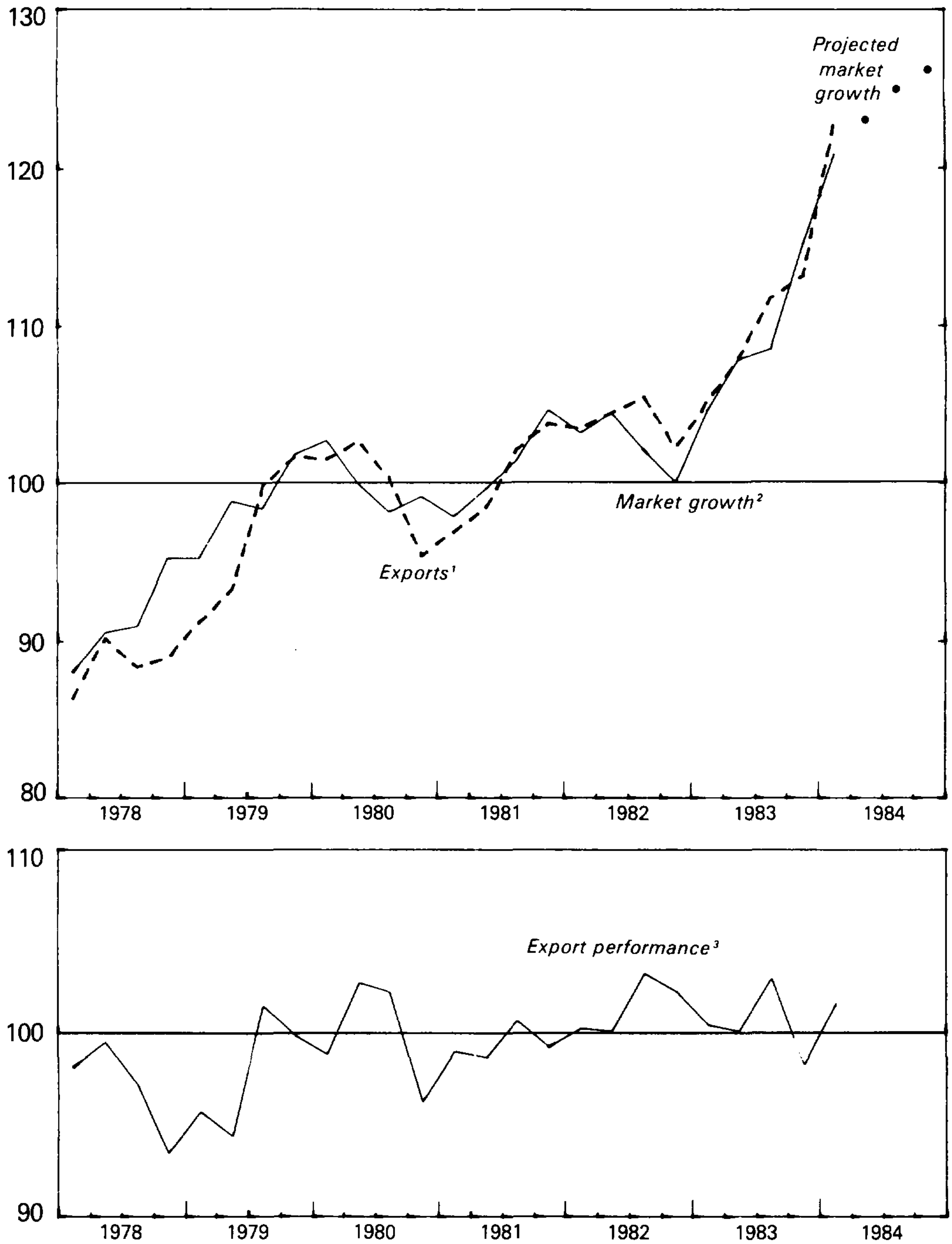


[1]Three-month moving averages of data as reported by industrial countries. Hence, imports are f.o.b. and exports are c.i.f.

CHART 8

NON-OIL DEVELOPING COUNTRIES: PERFORMANCE OF EXPORTS TO INDUSTRIAL COUNTRIES, 1978-84

(Indices, 1980=100)



[1]Exports to industrial countries, as reported by the latter, deflated by export unit values of non-oil developing countries.
[2]Imports in volume, of 19 industrial countries weighted by their respective shares of non-oil developing countries' exports in 1980.
[3]Ratio of exports to market growth

to finance a resumption in the growth of imports. Such a resumption, which is discernible in the most recent figures shown in Chart 7, could in any case be expected if the expansion of exports, as well as that of GDP generally, is to be sustained. The staff therefore projects imports to rise significantly during the balance of 1984. On a year-over-year basis, however, the acceleration is less sharp, with imports being expected to rise in volume terms by about 6 percent in both 1984 and 1985.

A factor limiting the extent to which imports can increase in response to higher exports is interest payments. Having stabilized in 1983 these payments are expected to increase both in 1984 and in 1985, in large part because of higher U.S. dollar interest rates. Such rates rose by about 2 percentage points during the first half of 1984, an increase which would in itself eventually lead to an increase in non-oil developing countries' annual interest charges (net of interest earned) of $6 billion. Since these effects only come through with a lag, however, their full impact will not be evident until 1985. Given the projected moderation in the pace of expansion in industrial countries, the staff has assumed that LIBOR rates in 1985 will average 11 1/2 percent. On this basis, and after allowance for the concurrent rise in indebtedness, the staff expects net interest payments of non-oil developing countries to rise by about $4 billion in 1984 and a further $5-6 billion in 1985.

While all developing countries have been subject in some degree to the general developments described above, differences across countries have been quite marked (Table II.2). The external position of the Asian group of countries, for example, is significantly stronger than that of the other regional groups. Not only are Asian countries' deficits in 1983-84 estimated to be the lowest in relation to exports of goods and services among the five regions, they are also unusually low in relation to that region's own past deficits. The opposite is true of the African and Middle Eastern regions where the sustainability of external positions is very much dependent on the continuance of large flows of official transfers. In the European and Western Hemisphere regions, deficits in 1983-84 are much reduced from those that prevailed in the 1973-81 period and generally below those that prevailed in the late 1960s and early 1970s. However, this rather favorable comparison must be seen in the light of the very large accumulation of debt by these regions in the 1973-81 period.

Of all the sources of uncertainty attaching to the current account prospects of non-oil developing countries, probably the greatest is with respect to the future course of their imports. Some analysts have argued that resumption of GDP growth on the scale contemplated by the staff for 1984 and 1985 will require a large upward adjustment in imports to compensate for the import compression of 1981-82. On the other hand, it should be recognized that carefully conceived policies can bring about significant changes in the import intensity of domestic output, and thus enable countries

Table II.2. Non-Oil Developing Countries: Current Account Deficits

(In percent of exports of goods and services)

	Average 1967-72	Average 1973-81	1983	1984
Non-oil developing countries 1/	17.1	20.1	13.4	10.1
Africa 2/	17.5	30.9	34.0	28.7
Asia 1/	21.3	11.6	8.5	4.1
Europe	5.9	17.4	9.1	4.7
Middle East	25.9	34.3	31.8	26.4
Western Hemisphere	19.8	28.8	15.6	15.5

1/ Excluding China.
2/ Excluding South Africa.

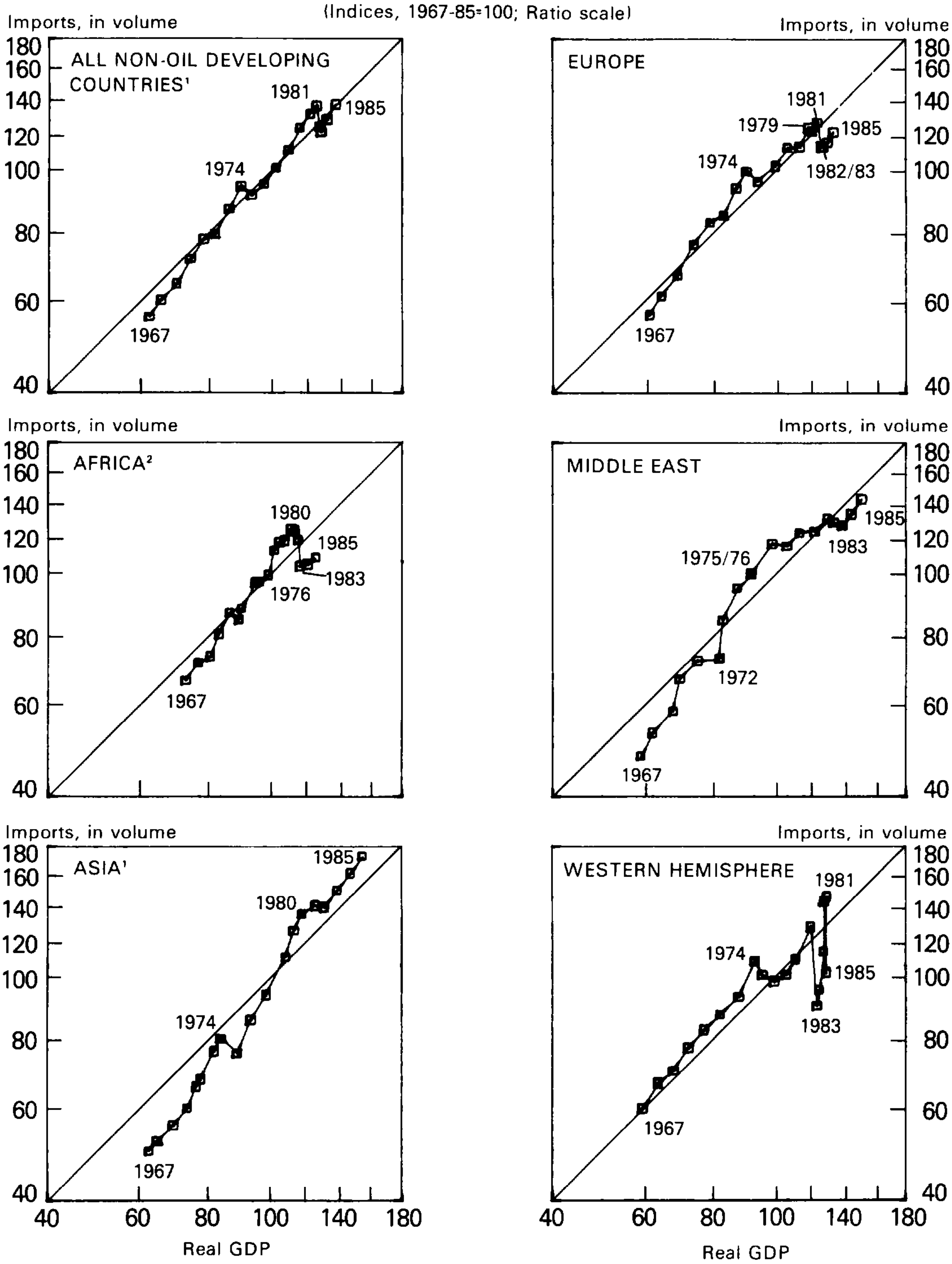
to adapt to changes in the availability of foreign exchange. A perspective on the key relationship involved, that between imports and GDP, is provided by the data plotted in Chart 9. In each of the panels in this chart, output is shown on the horizontal axis and imports on the vertical axis, both in log scale. The conclusions suggested by this chart are two: in normal times, the relationship between the growth of imports and that of GDP is indeed reasonably stable and not much above unity; but, in times requiring large external adjustments, the relationship can depart significantly from its trend value. Further, the reversion to trend following periods of external adjustment appears to occur only slowly. Thus, real GDP rose by 19 percent from 1974 to 1978 in the Western Hemisphere, whereas imports over this period increased by less than 1 percent.

This apparent adaptability of imports to changes in the external situation needs to be taken properly into account when assessing prospects for developing countries. It remains the case, however, that the compression of imports in the Western Hemisphere has been extraordinarily large in relation to that of output--a fact which necessarily increases the uncertainty concerning the projections for these countries. The staff's estimates presume a relatively high growth of imports in 1984-85,

CHART 9

NON-OIL DEVELOPING COUNTRIES: APPARENT RELATIONSHIPS BETWEEN IMPORTS, IN VOLUME, AND REAL GDP, 1967-85

(Indices, 1967-85=100; Ratio scale)



[1]Excluding China.
[2]Excluding South Africa.

though one that would only go part way toward restoring the relationship between imports and output that obtained before 1982.

The recovery in industrial countries is also contributing to a strengthening of the current account positions of oil exporting countries in 1984. Oil export volumes have already risen from the low levels they reached in the first half of 1983, and are expected to increase by some 4-5 percent in both 1984 and 1985. However, the turnaround in oil demand has been uneven and the further rise in demand is expected to be moderate. The current weakness of spot prices for crude oils, despite the uncertainties surrounding oil shipments from the Persian Gulf, reflects in part the current relatively sluggish state of demand. Nevertheless, oil export earnings are expected to rise by some 3 1/2 percent in U.S. dollar terms in 1984. In combination with a small further decline in imports, this is expected to reduce the current account deficit of the oil exporters from $17 1/2 billion in 1983 to $8 billion in 1984. Little further change in the current balance is anticipated in 1985.

Of the $8-9 billion deficits projected for 1984-85, only some $2-3 billion is attributable to the non-Middle Eastern countries included in the group (Algeria, Indonesia, Nigeria, and Venezuela). These countries have relatively large external debts, which totalled $96 1/2 billion at end-1983, and have recently faced similar financing difficulties to many non-oil developing countries. The compression of imports that these difficulties have made necessary has resulted in a marked reduction in the combined current account deficit of the four countries, from $17 billion in 1982 to a projected $2 1/2 billion in 1984.

(2) Financing and debt

Because of lower projected current account deficits, and higher projected lending by official creditors, the easing in the overall financing situation of developing countries is likely to be more marked than was allowed for in the staff's assessment of six months ago. At that time, the staff had expected relatively stable capital flows (non-debt-creating flows and long-term lending by official creditors) to provide all but $9 billion of the financing required to cover current account deficits and capital flight 1/ in 1984. The staff now expects the gap not covered by these flows to be only $3 billion. With such a small net residual financing need, projected inflows from commercial sources are largely matched by reserve accumulation.

The amelioration in the aggregate financing situation conceals significant differences in the situations faced by individual countries. This

1/ The errors and omissions item is taken here as a proxy for capital flight, although it undoubtedly includes other components.

point may be illustrated by comparing the financing situations of Asian and Western Hemisphere countries. Examination of these data, presented in Table II.3, shows that while the two groups of countries have a number of

Table II.3. Non-Oil Developing Countries of Asia and the Western Hemisphere: Current Account Financing

(In billions of U.S. dollars)

	Western Hemisphere Countries			Asian Countries		
	1977	1981	1984	1977	1981	1984
Current account deficit	9	46	17	2	23	6
Nondebt-creating flows	3	8	5	3	8	7
Long-term borrowing from official creditors	3	5	11	2	9	9
Errors and omissions	-3	-17	-7	--	-1	-1
Other flows, net	6	50	8	-3	7	-9
Reserve-related transactions	-5	4	-8	-5	-3	-9
Of which: Use of Fund credit	--	--	4	--	3	1
Other net external borrowing	11	46	16	2	10	--
Memorandum items: 1/						
Debt ratio	203.9	220.3	285.9	81.9	70.4	81.0
Interest payment ratio	11.7	26.0	32.1	2.9	5.1	5.1
Current account ratio	-15.9	-41.0	-15.5	-1.9	-11.9	-1.7

1/ In percent of exports of goods and services.

features in common (notably the improvement in their current account position in the interval 1981-84, and the prospective accumulation of reserves in 1984), the pattern of their financing in the current year is quite different. The situation of the Western Hemisphere countries in 1984 is characterized by: (1) much greater a reliance on Fund credit than Asian countries even though their exports of goods and services are only half as large; and (2) the continuation of borrowing from private creditors ("Other net external borrowing") on a substantial, even if reduced, scale. In 1984, indeed, such borrowing by Western Hemisphere countries is expected to absorb virtually the entire amount of all net private lending to non-oil developing countries. These features of the Western Hemisphere's situation, as well as the unusually heavy borrowing from official creditors, reflect the impact of the large financing packages put together in conjunction with Fund programs for several of these countries. Hence, whereas the projected rise in these countries' reserves points to their financing situation having become relatively more manageable, the non-spontaneous character of much of the lending that is taking place, suggests that the region's financing situation will remain difficult for some time to come. Such would not seem to be the case for the Asian countries. Collectively, this group has a low current account deficit ratio, a low debt ratio, and a low interest payment ratio--all signs of creditworthiness.

In the main, the financing situation of European developing countries resembles that of Asian countries. A much less comfortable situation, however, prevails among the African and Middle Eastern countries. Although improving slightly in 1984, current account deficits in these countries remain high. The same is true of the financing gaps to be covered by reserve-related transactions or bank lending. Consequently, prospects in most of these countries are for at best no increases in reserves.

As far as the aggregate volume of financial flows is concerned, private lending seems to have stabilized, albeit in the differentiated pattern noted above. The estimates shown in Table II.4 point to an annual flow of $18 billion in 1983-85, compared with $66 billion in 1981. At the new level, such flows imply an expansion in bank claims on developing countries at about 5 percent per annum. 1/ Official lending has been much better sustained than private lending. While the growth of private lending (to non-oil developing countries) slowed from 21 percent per annum in the 1978-81 period to some 5 percent currently, official lending slowed only from 14 percent to 12 percent, and in real terms actually increased. However, the increase is entirely attributable to increased lending in conjunction with "concerted financing" packages, much of which is to countries in the Western Hemisphere. Official lending to other countries, and especially those in the African region, has been much more restrained.

Overall, the growth in the external indebtedness of non-oil developing countries is expected to stabilize at around 6 percent per annum over 1983-1985. Given the high growth projected for exports in real terms, indebtedness as a percentage of exports of goods and services for the non-oil developing countries would decline from a peak value of

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1/ The statistics reported in Table II.4 are derived from the balance of payments and debt statistics of debtor countries and are thus not directly comparable with creditor-reported statistics.

Table II.4. Non-Oil Developing Countries: Current Account Financing

(In billions of U.S. dollars)

	Average 1976-77	1981	1982	1983	1984	1985
Current account deficit	31	109	86	53	45	45
Relatively "stable/autonomous" financing flows	26	51	50	46	49	46
Nondebt-creating flows	13	27	26	21	23	25
Long-term borrowing from official creditors 1/	13	24	24	25	26	21
Errors and omissions	-6	-14	-20	-12	-7	-7
Other flows, net	11	72	56	19	3	6
Use of reserves	-13	-4	5	-10	-16	-15
Other financing flows, net	24	76	52	29	19	21
Reserve-related liabilities	5	10	15	11	1	3
Liabilities constituting foreign authorities' reserves	2	1	1	-1	--	1
Use of Fund credit	1	6	7	10	7	2
Arrears	2	3	7	2	-5	--
Other net external borrowing 2/	19	66	37	18	18	18

1/ Not including monetary institutions.

2/ Essentially net borrowing from private creditors. For the most recent period, amounts shown are likely to pertain almost exclusively to bank lending. However, relative to bank lending as measured from creditor-reported data, the estimates shown here net out changes in external assets held by private residents of the reporting (debtor) countries, and they exclude officially guaranteed export credits which are channelled to these countries through banks. In principle, the latter are recorded here as long-term borrowing from official creditors.

154.4 percent in 1983 to 139.8 percent in 1985. Although markedly improved, such a ratio would still be well above the average 124 percent ratio of the 1976-80 period. (A general assessment of the debt situation is presented in Section IV below.)

Despite the slowing of the rise in indebtedness, higher interest rates mean that debt service payments are projected to continue to mount rapidly. For non-oil developing countries, this increase is estimated at an annual average of 12 percent in 1984 and 1985, i.e., more or less in step with the rise in export earnings. The underlying situation is, however, obscured by the impact of rescheduling. Rescheduling agreements reduced debt service payments of non-oil developing countries by $23-24 billion in 1983 and are expected to do so again in 1984. As a result, the debt service ratio, which had risen from 18.1 percent in 1980 to 25.0 percent in 1982, and which would have risen to 27.6 percent in 1983, declined to 22.3 percent in the latter year. The cash flow position of many borrowing countries was further eased by debt maturity restructurings. Largely as a result of these operations, short-term debt declined from almost 30 percent of non-oil countries' exports of goods and services in 1982 to 25 percent in 1983 and, prospectively, to less than 20 percent this year.

The debt service ratio is expected to recede somewhat in 1984, but is likely to rise in 1985 unless further rescheduling agreements again result in the postponement of scheduled amortization payments. The interest payments ratio, which is not affected by decisions to reschedule amortization payments, doubled from 1978 to 1982 when it reached 14 1/2 percent. The subsiding of international interest rates in 1982-83 and some rescheduling of interest payments to official creditors caused this ratio to recede to 13.3 percent in 1983. Despite the renewed rise in interest rates since then, this ratio is expected to remain around 13 per cent in 1984-85 because of the rapid rise in these countries' export earnings.

This situation described above should be seen in the light of the very uneven distribution of indebtedness to banks among non-oil developing countries. Interest payments of the Western Hemisphere countries amount to some 30 percent of exports of goods and services, or five times as much as is the case for Asian countries. Because of this exposure, the Western Hemisphere countries account for the bulk of reductions in debt service payments resulting from rescheduling agreements. These agreements are estimated to have lowered the region's debt service payments by a third in 1983, and are projected to have almost as large an impact in 1984.

c. External developments in industrial countries

(1) Exchange markets

The renewed strength of the U.S. dollar has been the dominant feature of exchange market developments since about April 1984. After depreciating during February and March, the dollar resumed the general upward course that it had followed over the preceding three years. From December 1983 to July 1984, the nominal effective exchange rate of the dollar rose by 4 3/4 percent, with the sharpest increases occurring vis-a-vis the Swiss franc, the pound sterling, and the Canadian dollar. As a result, the dollar's nominal effective rate was approximately 48 percent above its low level in the third quarter of 1980 (Chart 10), while its real value (measured by an index of normalized unit labor costs adjusted for exchange rate changes) reached a level some 28 percent above its average value for the decade to 1983 (Chart 11).

The currencies of the European Monetary System (EMS), though declining against the U.S. dollar between December 1983 and July 1984, showed little net change in nominal effective terms as they generally strengthened against sterling and the Canadian dollar. Pressures emerged within the EMS in February and March, when the deutsche mark appreciated against the U.S. dollar, and for a short time the mark and the Belgian franc were at opposite extremes of the narrow EMS band. Thereafter, however, with the deutsche mark remaining weak against the U.S. dollar, the EMS currencies traded comfortably within their 2 1/4 percent intervention margins.

The movement in the U.S. dollar value of the Japanese yen from December 1983 to July 1984 has been similar to that of the EMS currencies, while the Canadian dollar and the pound sterling have experienced somewhat larger declines. During the seven-month period, the yen's net decline of approximately 3 1/2 percent against the U.S. dollar was associated with a depreciation of slightly more than 1 percent in nominal effective terms. The Canadian dollar and the pound sterling fell by 6 percent and 8 1/2 percent, respectively, against the U.S. dollar, and by smaller amounts vis-a-vis the yen and the EMS currencies. In nominal effective terms, the Canadian dollar depreciated by about 4 1/2 percent from December to July, while the pound declined by about 5 percent.

As in 1983, exchange rate movements thus far in 1984 have been more closely related to financial market developments than to shifts in current account positions. The renewed strengthening of the U.S. dollar in the second quarter of 1984, following a sequence of record quarterly trade deficits, was associated with a movement of real interest rate differentials in a direction favoring U.S. dollar-denominated assets. Expectations that higher real returns on dollar assets would persist have been fostered by the unexpectedly strong growth of private credit demand in the United States, combined with the large ongoing financing requirements of the Federal Government and the nonaccommodating stance of U.S. monetary policy. The dollar's continued strength also appears to be attributable to factors--such as the relative safety of the U.S. financial system and expectations of improved rates of return on real investment in the United States as the economic expansion proceeds--which have proved attractive to foreign capital.

CHART 10

INDICES OF MONTHLY AVERAGE U.S. DOLLAR AND EFFECTIVE EXCHANGE RATES

JANUARY 1980 - JULY 1984

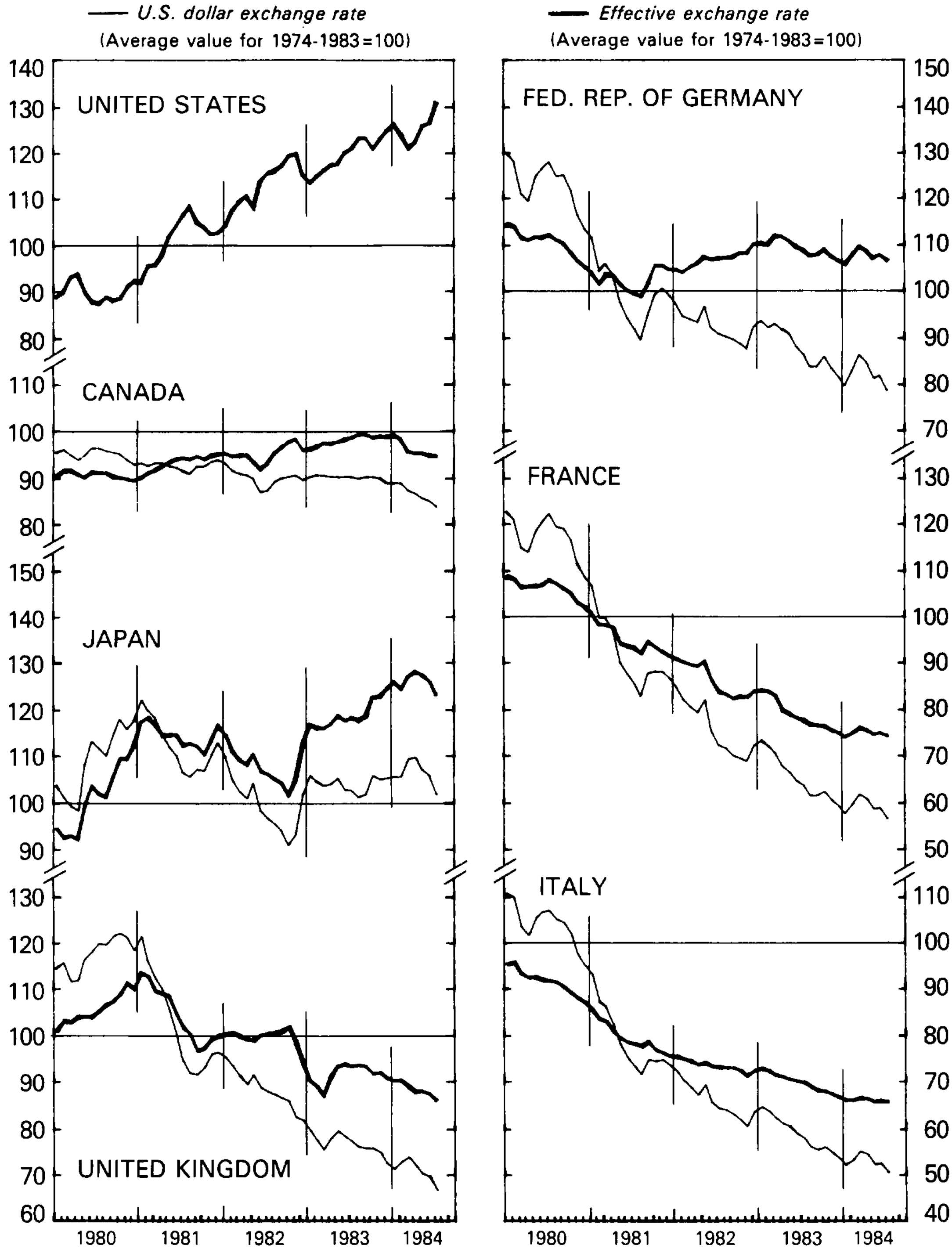
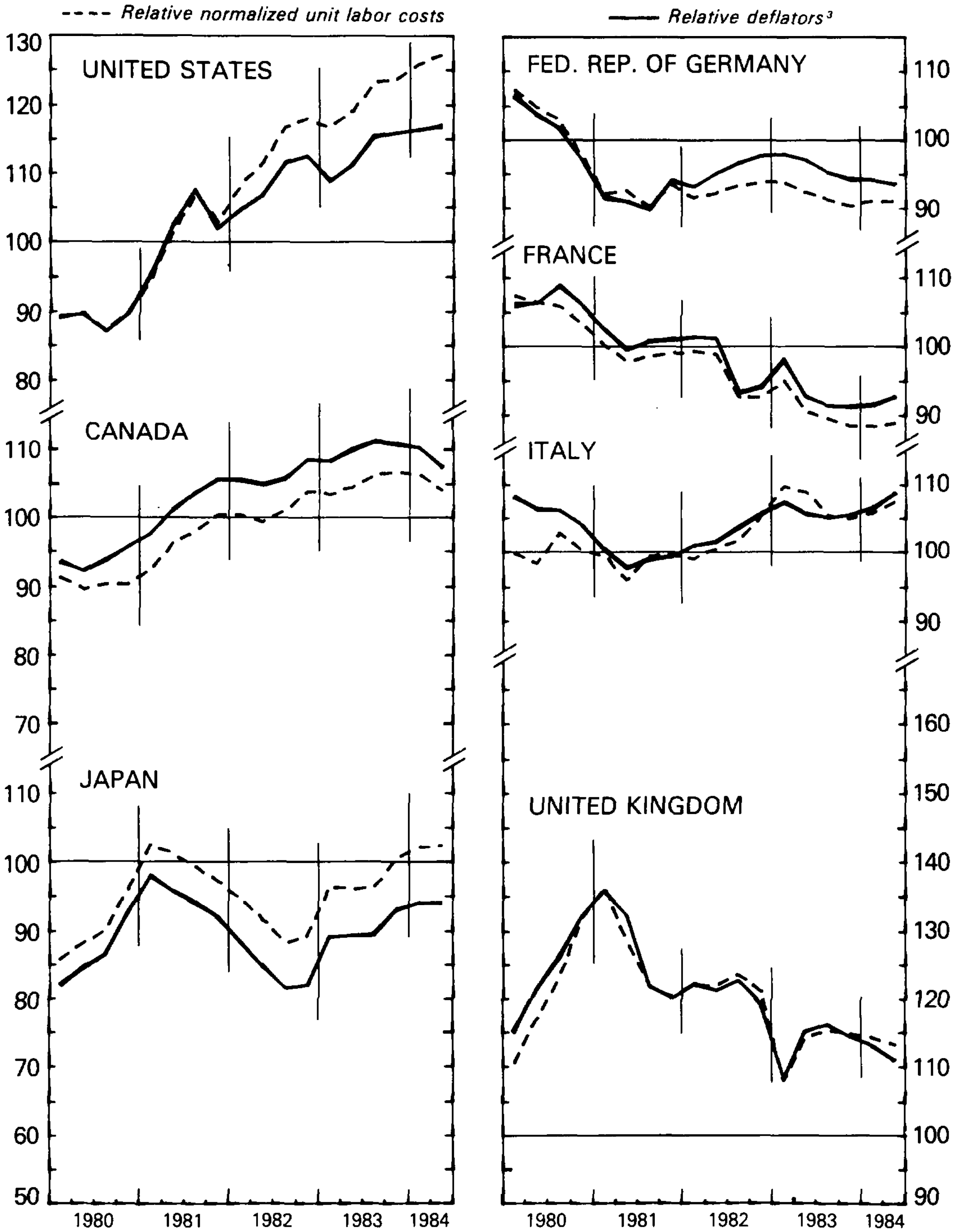


CHART 11

RELATIVE PRICES OF MANUFACTURES ADJUSTED FOR EXCHANGE RATE CHANGES

(Indices, average value for 1974-1983=100)[1,2]



Source: *International Financial Statistics.*

[1]Indices of the type shown here are frequently referred to as indices of real effective exchange rates.

[2]The data for second quarter 1984 are based on preliminary staff estimates.

[3]Annual deflators for gross domestic product originating in manufacturing with quarterly interpolations and extrapolations (beyond the latest available data) based on wholesale prices data for manufactures.

During the first half of 1984, the tightening of credit conditions in the United States was reflected in movements of real long-term interest rates in the United States relative to those abroad. Nominal and real interest rates rose significantly in the United States in this period, while those in Japan, Germany, and the United Kingdom either declined or rose less than commensurately. By June 1984, the average real long-term interest differential favoring the U.S. dollar against the currencies of Japan and the major industrial countries of Europe--measured in terms of long-term bond yields adjusted for current inflation rates--was almost 5 percentage points, compared with 3 3/4 percentage points in December 1983 (Chart 12). Not until early July did the U.K. monetary authorities, in the face of labor difficulties and a sharp depreciation of the pound, allow U.K. interest rates to rise abruptly and move above comparable U.S. rates. During the period the Canadian authorities have endeavored to moderate movements in the Canadian dollar/U.S. dollar rate by keeping interest rates above those in the United States. Nevertheless, the Canadian dollar depreciated against the U.S. dollar by 6 percent from December 1983 to July 1984.

(2) Current account developments

Current account projections for the industrial countries for 1984 and 1985--based on the working assumption that nominal exchange rates remain at their average level of June 1984--are shown in Appendix Table 17 (excluding official transfers) and Table 19 (including official transfers). The most notable revision to the projections made six months ago is a substantial increase, of $17 billion, in the projected current account deficit of the United States. This further worsening of the U.S. external position is accounted for entirely by the deteriorating trade balance, which reflects partly the loss of competitiveness from recent exchange rate changes, but mainly the stronger-than-expected pace of expansion in the United States relative to abroad.

For the industrial countries as a group, the combined current account position (excluding official transfers), which was close to balance in each of the three preceding years, is projected to deteriorate by $33 billion in 1984 and by a further $16 billion in 1985. This weakening in the overall current account position of the industrial countries is partly explained by developments in oil trade. The aggregate deficit of the industrial countries on oil trade is projected to widen by some $10 billion in 1984 and to continue to widen in 1985. This is a sharp contrast to 1982-83, when rather large reductions in the aggregate oil trade deficit broadly offset declines in the surplus on non-oil trade, leaving the aggregate trade balance approximately unchanged. Among the oil importing industrial countries, the largest increases in net payments for oil are projected for the United States, Japan, and Canada, as the declining trend of oil imports during 1979-83 gives way to increases. The rise in the demand for oil in these three countries in the first half of 1984 is associated both with the growth of output and with the fall in oil prices, but it also reflected the relatively cold winter. The oil trade balances of other industrial countries, where recovery is expected to be generally less robust, are projected to show little net change over the forecast period.

Changes in the terms of trade of the industrial countries are expected to have relatively less effect on the aggregate current account in 1984-85 than they did in 1982-83. Following improvements of 2 percent annually in 1982-83, the aggregate terms of trade are projected to improve by less than 1/2 of 1 percent per annum in 1984-85.

Projected movements in the external positions of individual industrial countries during 1984-85 reflect changes in their relative cyclical and competitive positions, as well as differences in the growth of their export markets. For the United States, the stronger-than-expected expansion of domestic demand since mid-1983 is the principal factor underlying the large revision in the estimated U.S. current account deficit for 1984 noted above. Import volumes, which were relatively flat in the first half of 1983, grew at an annual rate of 30 percent in the second half of 1983 and 34 percent in the first half of 1984, owing mainly to the acceleration of domestic demand growth from an annual rate of 5 percent in the first half of 1983 to 9-10 percent during the next twelve months. As the growth of U.S. domestic demand slows in the coming period, increases in import volumes are projected to decelerate to an annual rate of 16 percent in the second half of 1984 and to 11 percent in 1985. There has been little change in the outlook for U.S. export volumes, which are expected to grow substantially less than import volumes owing to the moderate pace of growth in the United States' foreign markets and to the lagged effects of prior losses in price competitiveness. The U.S. trade deficit is now projected to widen by $54 billion in 1984 and by another $24 billion in 1985, bringing the current account deficit (including official transfers) to $90 billion in 1984 and $115 billion in 1985.

Among the other industrial countries, the major offsets to the more than $70 billion deterioration in the U.S. current balance in 1984-85 are found in a strengthening of the current balances of Japan ($20 billion), France ($4 billion), the Federal Republic of Germany ($2 1/2 billion), and the group of smaller industrial countries ($6 billion). Though the trade surplus of Canada shows a modest increase over the forecast period, a widening deficit in net service transactions is expected to cause a weakening in the Canadian current account of $1 billion between 1983 and 1985. The current accounts of both Italy and the United Kingdom are projected to weaken by about $3 billion each from 1983 to 1985, owing primarily to deterioration in their trade balances.

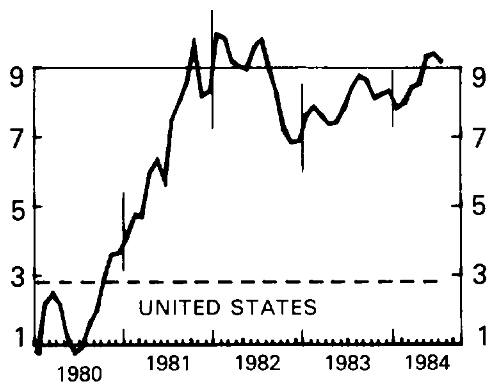
CHART 12

MONTHLY AVERAGE REAL LONG-TERM INTEREST RATES[1]

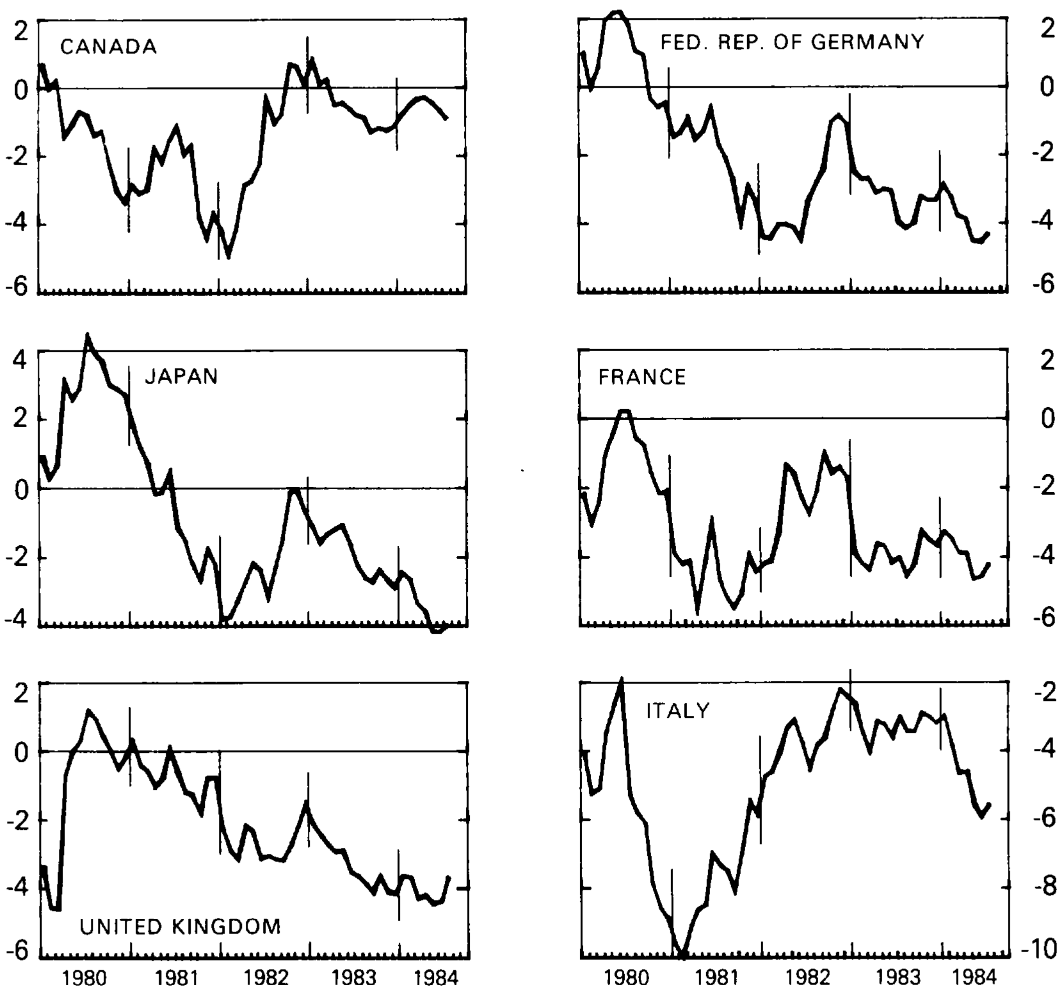
JANUARY 1980 - JULY 1984

(In percent per annum)

A. U.S. REAL INTEREST RATE[2]



B. REAL DIFFERENTIALS: LOCAL MINUS U.S. INTEREST RATE



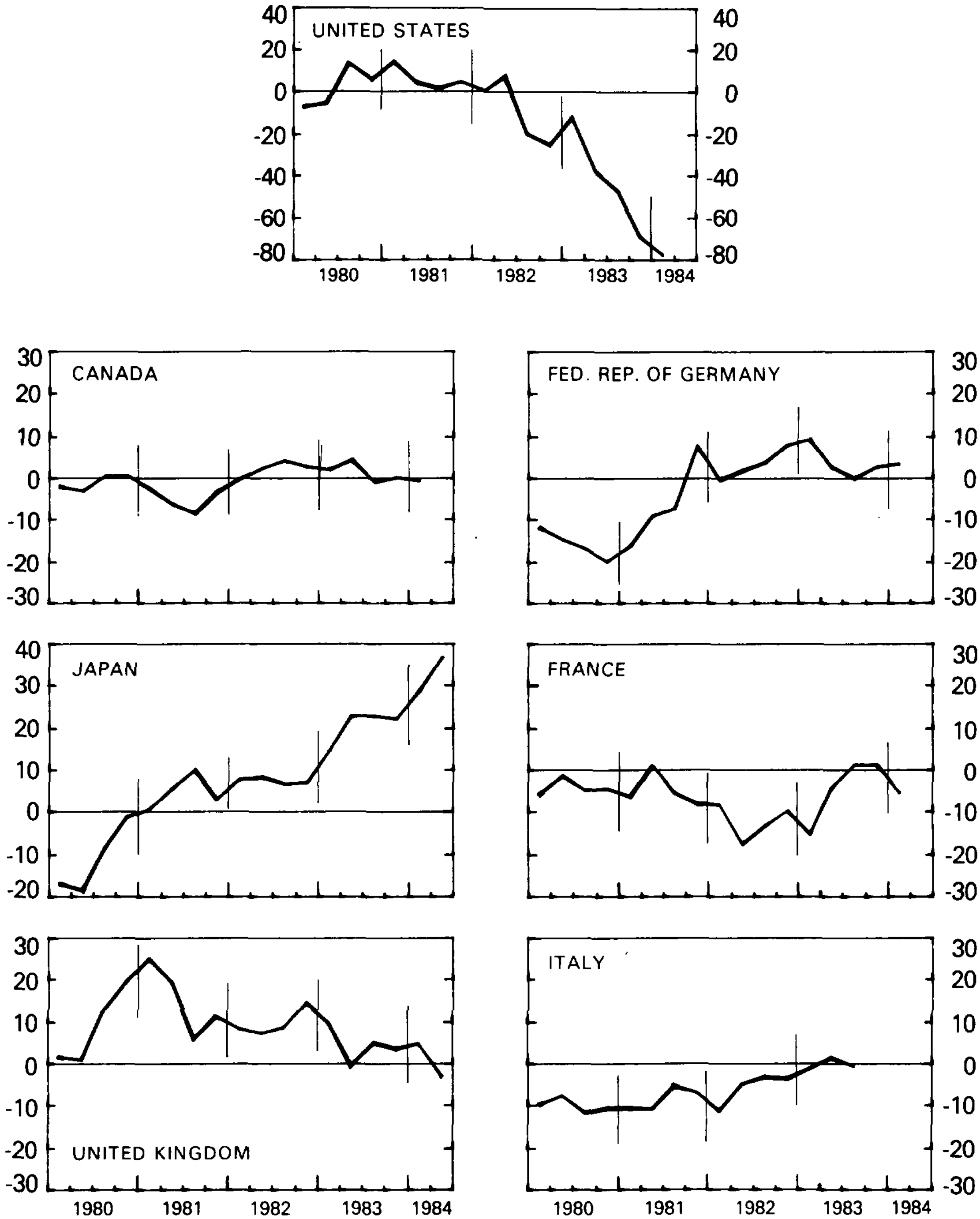
[1]Monthly averages of daily or weekly yields on government bonds deflated by an estimate of the rate of inflation. The maturities range from 7 years for Japan to 20 years for the United States and the United Kingdom.

[2]The dashed line represents the average value of the U.S. real long-term interest rate during the period 1974 to 1983.

CHART 13

PAYMENTS BALANCES ON CURRENT ACCOUNT, INCLUDING OFFICIAL TRANSFERS, 1980-84

(In billions of U.S. dollars, seasonally adjusted, at annual rates)



Aside from the greater-than-expected recent strength of U.S. domestic demand, the factors underlying the current account projections are not materially different from those discussed in EBS/84/33. Briefly, the improvement in the external positions of Japan and the Federal Republic of Germany is attributable mainly to the growth of demand in their export markets and, to a rather lesser extent, to the effects of improving competitiveness. In contrast, for both Italy and the United Kingdom, a worsening of the trade balance is projected. This is attributable largely to the relatively strong growth in domestic demand, as well as, in Italy, to some deterioration in competitiveness resulting from the continuing inflation differential between Italy and its principal trading partners. The current account of France, which deteriorated in the first half of 1984 because of special factors, including the bunching of oil imports in the first quarter, is projected to move into balance by 1985 as a result of domestic demand restraint and the maintenance of competitive gains derived from past exchange rate adjustments. Among the smaller industrial countries, Belgium, Spain, and Sweden are projected to improve their current account positions by about $2 billion each, reflecting a pick-up in foreign demand, the lagged effects of prior gains in competitiveness and, for Belgium and Spain, relatively weak domestic demand. The current account positions of the other countries in this group are projected to remain stable or to change by less than $1 billion over the forecast period.

III. Economic Management in Industrial Countries

1. Evolving nature of the issues

Throughout the early 1980s the general strategy underlying economic policies in the larger industrial countries has been one designed to achieve a lasting containment of inflation and to improve the functioning of markets so as to lay the basis for sustained and balanced growth. Although the implementation of this strategy has been somewhat uneven, substantial progress toward restoration of price stability has been made, and a cyclical upturn in economic activity has clearly begun. To date, however, this recovery has been marked by sharp differences among major industrial countries in the strength and timing of the economic expansion. These differences, along with related disparities in the implementation of policies, have had consequences in international financial markets that pose difficult problems for the authorities of many countries, not only within the industrial group, but also throughout the developing world.

The recent contrast between the North American countries and the other major industrial countries with respect to the strength of demand and economic activity has been associated with a sharp divergence in the impulse imparted by government fiscal positions. During 1982 and 1983, these were strongly expansionary in the United States and Canada, but generally contractionary (after allowance for the influence of cyclical conditions on government transactions) in the major European industrial countries and in Japan. Although the U.S. and Canadian deficits are expected to recede somewhat in 1984 or 1985, neither of them seems likely to decline by an amount significantly greater than could be attributable to the cyclical upswing in economic activity. In most of the major European industrial countries and in Japan, on the other hand, progress toward reduction of the structural components of central government deficits was made even during the recession. It was particularly notable in Germany, Japan, and the United Kingdom. For 1984, further fiscal shifts in the same direction are projected for these three countries, and they are expected to be paralleled by a similar shift in France.

Another important difference between the North American and the European industrial countries, although one that is much more difficult to quantify, lies in the flexibility with which their economies have responded to changes in economic conditions. With inflation abating and wage costs absorbing a reduced share of value added, output and employment in the United States have grown more rapidly than can be explained simply on the basis of the expansionary impulse imparted by short-run changes in fiscal policy. In Europe, on the other hand, while the impact of improved financial policies can be seen in the behavior of certain components of demand--and together with strengthening export demand has been sufficient to get recovery started--there is as yet no indication of growth accelerating to a point at which significant inroads on unemployment are made.

Against a background of relatively non-accommodative monetary policies in most of the major industrial countries, divergences in fiscal developments and output trends appear to have been the key elements in a widening of real interest rate differentials during the first half of 1984. In that period, the striking buoyancy of domestic demand--and especially of business investment--in the United States strongly reinforced existing fiscal disparities as a factor influencing international capital movements and exchange rates. The sums being attracted to the United States as a consequence are sizable in relation to flows of domestic saving and investment in that country. And the weight of the United States in the world economy is such that repercussions in other countries have been unavoidable, with interest rates being kept at levels that are higher than would be expected given the moderate nature of recovery in those countries.

This deterrent influence on domestic spending outside the United States has been offset, as far as its short-run effect on demand is concerned, by a favorable influence on the net exports of the United States' trading partners. Among the latter, however, there is uncertainty about how long such export growth can be sustained. The risk of a subsequent erosion of competitiveness could discourage investment even in industries that were currently experiencing rapid growth in export demand. At the same time the generalized effects of high interest rates could lower capital formation throughout these economies, and thus hamper the achievement of higher growth in the longer term.

Although the policy strategy followed by the industrial countries in recent years has yielded substantial progress toward containment of inflation, its aims in that respect remain only incompletely fulfilled. Current rates of price increase in a number of industrial countries, including most of the larger ones, compare very favorably with those prevailing during the past decade or so. Even so, it cannot be said, except in Japan and perhaps in Germany, that inflation is both low enough and sufficiently stable to assure attainment of the strategic objectives of economic policy. As economic recovery continues, a number of factors that have been tending to contain price increases will cease to exert their restraining influence. It follows that the need for steady restraint in the management of money and credit remains as vital as ever, as is the need for pursuit of other policies--particularly in the fiscal field--that are consistent with and supportive of a disciplined monetary policy.

The circumstances in which major industrial countries are attempting to implement the foregoing principles have shifted considerably during the past two or three years. In the United States, the immediate problem is now one of achieving a deceleration of the past year's surge in demand, without arresting or reversing it. In Europe, on the other hand, the main problem is to bring down the present high levels of unemployment. Doing this on an enduring basis will involve consolidating and extending the progress toward financial stability that has been made so far. More than that, however, it appears to involve the creation of a climate in which incentives for the employment of labor are enhanced. Such a climate may entail institutional changes that vary from country to country, but probably include increased flexibility in wage-setting procedures and improvements in the profitability of capacity-expanding business investment. The situation in Japan is rather different, since unemployment is low while there is no danger of overheating. A source of concern, however, is the extent to which the recovery in output in Japan has thus far relied on foreign demand growth.

2. Economic expansion in North America

Demand management policies in both the United States and Canada in recent years have featured monetary discipline in an environment of considerable uncertainty regarding linkages between monetary developments and economic activity. At the same time, fiscal policies have proved quite expansionary, in implementation even more than in design. Incomes policy also has played a significant role in Canadian economic management.

a. Monetary policy

In recent years, the monetary authorities of the United States, like those of most other major industrial countries, have pursued anti-inflation objectives in part through a commitment to gradual lowering of the growth of money and credit in line with pre-announced targets for these aggregates. Substantial operational difficulties have arisen, however, both in selecting the target ranges and in keeping the aggregates within the ranges, as a result of regulatory and institutional developments. The target ranges established by the Federal Reserve for the year running from the fourth quarter of 1983 to the fourth quarter of 1984 are 6-9 percent for both M-2 and M-3 and 4-8 percent for M-1. Preliminary ranges have also been announced for 1985; the upper limits for growth of M-1 and M-2 are lowered from their 1984 levels by 1 and 1/2 percentage points, respectively, while the lower limits for these aggregates and the range for M-3 are left unchanged. The authorities have noted that there are still uncertainties about the underlying relationship between money and economic activity arising from the regulatory and institutional changes of recent years. They are, therefore, prepared to take developments in economic activity, inflationary pressures, and conditions in financial markets into account in forming judgments about movements of the monetary aggregates.

The rise in U.S. interest rates during the second quarter of 1984 reflected for the most part the strength of credit demands and fears of a resurgence of inflationary pressures as resources become more fully utilized, together with the continued concern about the outlook for fiscal policy. The Federal Reserve has indicated that it added moderately to pressures on bank reserves around the end of the first quarter to maintain growth of money and credit within their respective ranges. In the event, both M-1 and M-2 stayed within their growth ranges during the first half of 1984, but M-2 and the credit aggregate consistently exceeded their ranges during this period.

The combination of rising interest rates and rapid output growth has given rise to conflicting views about whether and how policy should be adapted to take account of the new situation. Some observers, fearing that a sharp rise in real interest rates might provoke a downturn in domestic activity in the United States, and could compound the difficulties of indebted developing countries, have favored a relaxation of the stance of monetary policy. Others, noting that the pace of domestic demand growth is unsustainable in the medium term, have advocated a tightening of policy in order to slow down the rate of expansion. In the staff's view, the risks of departing from the present stance of monetary policy, in either direction, would not be justified in current circumstances. Under existing conditions of rapid growth in aggregate demand, an attempt to hold down interest rates through relaxation of monetary discipline would be dangerous and probably abortive. On the other hand, a significant tightening of policy would add a further and perhaps substantial dose of restraint at a time when the effects of the recent rise in real interest rates cannot be adequately judged. A further important reason for adhering to the existing targets, as long as they are not clearly inconsistent with the planned deceleration in nominal GNP, is to enhance confidence in the medium-term constancy of the monetary policy framework.

Canadian monetary policy, like that in the United States, has been aimed at achieving continued progress toward price stability while allowing room for rising utilization of economic resources. The Canadian monetary authorities have abandoned the practice of targeting a specific monetary aggregate because of uncertainties in interpreting the behavior of the aggregates. The Bank of Canada is making decisions regarding its own actions to influence interest rates and credit conditions on the basis of a variety of economic and financial indicators, including pressures on the exchange rate. Canadian interest rates were stable during most of 1983, but have moved up again in recent months, broadly in line with the rise in U.S. rates.

b. Fiscal policy

The expansionary character of the budgetary programs actually implemented by the U.S. and Canadian federal governments can be indicated by reference to the increases in their deficits after adjustment for the effects of cyclical developments. In the United States this increase, on a unified budget basis, is estimated by the staff to have been equivalent to about 1 1/2 percent of GNP in 1983, while in Canada, it is estimated at about 3/4 percent of GNP. For 1984, no significant further stimulus is implied by the budgetary plans of the U.S. Federal Government. In conjunction with the growth rate forecast for GNP this would result in a reduction of the actual deficit equivalent to about 1 percent of GNP. Staff projections for 1985 imply a modest further increase in the cyclically adjusted deficit, but with output continuing to grow fairly strongly the actual deficit would stabilize, as a proportion of GNP, at about 5 percent.

The staff's estimates of the fiscal position of the U.S. Government are based on the April 1984 update of the budget proposals for the 1985 fiscal year. 1/ For 1984, the staff's projection of the size of the deficit is in line with that of the U.S. Administration. For 1985, however, the staff expects that the deficit would be 1/2 percentage point higher in relation to GNP than that forecast by the Administration. The higher

1/ The deficit reduction proposals contained in this update are broadly similar in magnitude to the "downpayment" package adopted by the Congress in July.

estimate of the deficit is largely attributable to the staff's assumption that interest rates would remain close to their June 1984 level whereas the Administration's forecast envisaged a decline in interest rates. The staff estimates utilized in this paper are based on the view that short-term Treasury bill rates (which were 10 1/2 percent at the end of July 1984) would be in the neighborhood of 10-10 1/2 percent, on average, during the remainder of 1984 and 1985.

The staff remains of the view that considerable strengthening of the U.S. fiscal position is needed if perpetuation of high interest rates, eventual adverse effects on domestic capital formation, and an extended drain on savings of other countries are to be avoided. Indeed, given the pace at which the U.S. economy is approaching full utilization of resources, such action has become even more urgent than it appeared six months ago. The desirability of reducing the U.S. federal deficit is not, of course, a matter of dispute. The present U.S. Administration has expressed its intention to follow such a course through the curtailment of expenditures. However, it has encountered serious difficulty in cutting expenditures sufficiently to bring about adequate reduction of the existing fiscal imbalance. In the circumstances, therefore, there may be little practical alternative to the reconsideration of measures on the revenue side of the account.

The fiscal position of the Canadian Federal Government, in 1982 and 1983 taken together, followed a course broadly similar to that of the U.S. Government. The cumulative result in Canada, as in the United States, was a federal deficit equivalent to roughly 6 percent of GNP in 1983. Canada's federal deficit is continuing to rise in 1984, as fiscal policy is exerting an expansionary impulse that outweighs the effect of rising incomes in strengthening the budgetary position. This trend, however, is expected to be reversed in 1985, in accordance with the medium-term fiscal strategy adopted in April 1983.

3. Recovery in other industrial countries

In contrast to the situation in the United States, and to a lesser extent in Canada, the main source of concern in Europe, and also to some degree in Japan, is the disappointingly slow speed of the economic recovery. Despite the major progress achieved against inflation and the return to positive growth rates, the situation described in Section II leaves a severe challenge for policymakers, perhaps more complex than the earlier task of restoring better price stability.

By now substantial progress has been made in setting up a framework of financial policy that is consistent with the restoration of noninflationary growth in private sector activity. In Japan and the Federal Republic of Germany there has been stable monetary growth and moderate inflation for several years. Both of these countries have been making steady progress in bringing down structural fiscal deficits--although the effect of this on their government's financial positions has been obscured by the impact on revenues of the economic slowdown.

In 1984 both countries are maintaining broadly the same policy stance. In Japan, the year-on-year growth rate of broad money has so far deviated little from either the official forecast or the 7 percent rate of the past two years. Short- and long-term interest rates have been stable in recent months, remaining, respectively, 4 and 5 percentage points above the rate of inflation. Fiscal policy is in line with the strategy of deficit reduction announced four years ago, with the projected deficit (whether on a central government or general government basis) receding to the smallest size, relative to GNP, in over eight years.

In the Federal Republic of Germany, the growth of central bank money was kept close to the lower end of the 4 to 6 percent target range in the first quarter of 1984, though it rose toward the middle of the range during the second quarter. Market interest rates, both short term and long term, after having eased somewhat in early 1984, had by July returned to broadly the level obtaining in January. The policy of reducing the underlying fiscal deficit is being continued, with government expenditures being held constant in real terms in 1984. If the economy expands as projected, the central and general government deficits would be cut by 1/2 percent and 1 percent of GNP, respectively, in the current year, and by almost equivalent amounts in 1985.

In the United Kingdom, the adjustment of domestic policies has been somewhat less steady, but on the whole rather strong. Under the Government's medium-term financial strategy (MTFS) the central government's deficit was reduced from 5 1/4 percent of GNP in 1979 to 3 percent in 1982 despite the severe recession experienced during this period. Although there was a temporary deviation from this path early in 1983, measures were taken in the second half of that year to bring the fiscal position back in line with the MTFS and in 1984/85 the horizon of the MTFS was extended from three years to five years. U.K. monetary policy has followed a course broadly parallel to that of fiscal policy. It was restrictive during 1980-82, relatively easier during most of 1983, then restrictive again from late 1983 onwards. For 1984/85, the monetary authorities (in line with the intention announced in the MTFS) set the target range for broad money at 6 percent to 10 percent, 1 percentage point lower than the corresponding range for last year. In July 1984, short-term interest rates were allowed to rise by almost three percentage points. This step was taken in response to a weakening of the exchange rate but also in the light of evidence of excessive growth in the broad money stock.

In some other industrial countries, the adoption of a comprehensive set of adjustment measures sufficiently firm to break the inflationary process is a more recent development. In France, it can be dated to early 1983, and has involved incomes policy supported by more restrictive monetary policies. At the same time, the authorities imposed new taxes and reduced the growth of general government expenditures (in real terms and net of interest payments) from 5 percent in 1982 to 1 1/2 percent in 1983. These policies were tightened further in 1984, partly to correct slippages in the implementation of the program in 1983. With the objective of effecting a significant reduction in the inflation rate, the authorities adopted a target range of 5 1/2 to 6 1/2 percent for the growth of M2. They also decided to limit the budget deficit strictly to 3 percent of GNP, mainly by restricting the growth of expenditures. Firm adherence to the policy of fiscal restraint, as well as a careful monitoring of the credit targets, will clearly be required to achieve the inflation objective for 1984 and to move toward a more definitive containment of price increases in 1985.

A number of smaller industrial countries are at stages of adjustment similar to that of France. Belgium, for example, is in the middle of a strong adjustment effort involving a contraction in public consumption and investment coupled with the introduction of new taxes, and a strict incomes policy that has reduced real wage rates by 5 percent over the past two years. Other countries at similar stages of adjustment include Ireland, Spain, and Sweden, all of which are experiencing limitations on the rate at which they can allow domestic demand to grow as they attempt to deal with continuing inflationary pressures.

A few industrial countries, including Italy, are at even earlier stages of adjustment. While making marked progress in the course of 1983, Italy nevertheless ended the year with a rate of wage and price inflation that was still above 12 percent and with a state sector deficit equivalent to 16 1/2 percent of GDP. For 1984, the recently introduced temporary ceilings on wage adjustments under indexation arrangements and on increases in administered prices should contribute to a further deceleration of inflation. The fiscal problem, however, will continue to cloud the outlook for the current adjustment policy. Budgetary gains arising from new cuts in social benefits and increases in oil product prices are likely to be more than offset by losses resulting from the lapse of a number of temporary sources of revenue and by subsidies in connection with the recent partial freeze of public utility charges. The budgetary situation makes it difficult for the monetary authorities to continue their policy of gradually reducing the growth of the monetary aggregates. Clearly, much of the adjustment effort in the fiscal area is still ahead.

The persistence of high unemployment levels in Europe is a costly and unsatisfactory element in the present world outlook. Not only does it constitute a severe social and economic problem for the countries concerned, its effects are spread more widely, since the weak demand growth and increased protectionist pressures with which it is associated hamper the adjustment efforts of developing countries.

Improving the growth and employment performance of the European economies is a complex matter. Directly stimulative demand management policies would have considerable risks. It was the persistent use of such policies during most of the 1970s that led to the rising inflation and growing inflexibilities that have proved so difficult to overcome. Increased confidence in medium-term financial stability has been achieved at considerable cost, but it does now seem to be bearing fruit in an improving outlook. The task is to find measures that will improve the prospects for output and employment without creating concerns in the minds of consumers and investors that a return to stop-go policies is in the offing.

These considerations suggest that the focus of policy efforts in European countries should be on improving incentives to the private sector to increase employment and capacity-expanding investment. A helpful development in this regard, in a medium-term context, would be a fuller reversal of the marked decline that took place in the 1970s in the share of current income going to capital, at least in manufacturing. A necessary aspect of such a process would be a significant further reduction in the rate of growth of real wages. This can be best accomplished through greater flexibility in labor markets, which offers a means of obtaining better and faster adjustments of the average real wage rate with less reliance on the harsh leverage of higher unemployment. In many countries, much can also be done to raise rates of return on capital by implementing suitable tax reductions. There may be increasing room for such action, within governments' medium-term fiscal strategies, as a result of the budgetary strengthening that has already taken place (or is expected in 1985) and the policy of maintaining low rates of real growth in government expenditures over the next few years.

4. Interactions of economic policies and conditions

Given the degree of interdependence now prevailing in the world economy, the divergences of national economic conditions and policies brought out in the previous sections must be viewed with concern. Although important areas of progress toward convergence have been noted, particularly with respect to rates of inflation, some of the contrasts that remain evident among major countries are generating conflicts of interest and create serious problems both for these countries themselves and for the rest of the world.

A number of important interactions revolve around the unevenness of the cyclical recovery to date and of the fiscal policies now being followed. The strong upsurge of demand in the United States during the past year and a half has brought a progressively growing need for policy restraint in that country. At the same time, high unemployment and slack capacity in Europe, along with sluggishness of domestic consumption and investment in Japan, have increased the urgency of ensuring that output recovery is successfully fostered. However, because fiscal programs have been framed with medium-term considerations in mind, they have not necessarily conformed to the cyclical situation. The U.S. Government has proceeded through the concluding stage of a tax reduction program launched in 1981 but has not succeeded in lowering the ratio of government spending to GNP. Japan and most of the major European industrial countries, on the other hand, have not only given priority to limiting the growth of government spending but have also striven with considerable success to reduce the structural component of the budget deficit.

The expansionary thrust of the U.S. fiscal position, while clearly contributing to the rapid pace of the U.S. economic recovery during 1983 and the first half of 1984, has also resulted in a disturbing increase in government borrowing requirements. The current and prospective magnitude of those requirements presents a number of serious risks and difficulties, not only for the United States itself, but also for the many other countries where repercussions are felt through the operations of a highly integrated world financial market.

The most obvious such repercussion has been the maintenance of interest rates at much higher levels than might ordinarily have been expected under recessionary conditions in Europe and Japan. Interest rates in these countries, while lower than those in the United States, have nevertheless been a factor retarding the recovery of domestic demand. High U.S. dollar rates have also hindered the revival of an important component of international trade by adding to the debt service costs of developing countries with large outstanding external obligations. Now that private demands for credit are expanding so briskly in the United States, the tendency for European and Japanese savings to be diverted into dollar-denominated investments is magnified.

Higher interest rates in the United States present the other industrial countries with something of a dilemma in their short-term conduct of monetary policy. If they were to match the increases in rates that were taking place in the United States, in order to stabilize their exchange rates vis-a-vis the dollar, this would tend to dampen interest-sensitive domestic spending, thus further weakening recovery of output outside the United States. It is to avoid this consequence that the authorities of most industrial countries have permitted some widening

widening of real interest rate differentials against dollar-denominated assets. However, the policy choice that has been made is not without its dangers. The decline in the exchange rate to which it has led could be a factor tending to push up prices, while at the same time increasing current account surpluses that in some cases are already large.

Judging the appropriate course of monetary policy in present circumstances is a matter of weighing these conflicting risks, and the balance may differ from country to country. In cases where inflation has been brought under reasonably effective control, where the current account is not in large surplus, and where recovery remains tentative (e.g., in the Federal Republic of Germany, the United Kingdom, and several of the smaller industrial countries), the staff believes that it is appropriate to respond to rising foreign interest rates by keeping domestic monetary policy on an even keel and permitting some decline in the exchange rate. In countries where the underlying current account position and demand growth is stronger, a case can be made for using monetary policy to offer some resistance to depreciation in the exchange rate. However, such a response would need to be implemented with care to avoid significant depressing effects on domestic demand growth.

It is sometimes argued that a different policy mix outside the United States, involving a more expansionary budgetary stance, would help remove one of the policy disparities behind the present pattern of exchange rates. While this may be true, and there may be scope in some countries for flexibility in the implementation of policies, the staff believes that a significantly more expansionary fiscal position could create difficulties, both in the countries concerned and elsewhere. First, such a change in policy stance would raise questions about the constancy of official strategy, thus weakening one of the factors behind the nascent recovery of demand. Second, in a world of increasingly integrated financial markets, the impact of budgetary developments in individual countries can quickly be transmitted abroad. At the global level, the aggregate claims of governments on private savings are too large; and this is making for high interest rates worldwide. Adding to this tendency, in order to make the "mix" of policies more uniform across countries, could have adverse implications for international interest rates.

The fact remains, however, that current account imbalances among the largest countries have grown considerably. In the staff's projection, the deficit of the United States would reach $90 billion in 1984 and $115 billion in 1985, while the surplus of Japan would be $35 billion and $40 billion, respectively, in these two years. This prospect, in itself, raises questions about the sustainability of the present pattern of exchange rates and interest rates. As long as the U.S. current account deficit continues to grow, progressively larger net inflows of capital will be necessary to finance it. This escalation may be slowed or arrested in due course by some substantial convergence of cyclical conditions, either through deceleration of the U.S. expansion or through acceleration of growth in other countries (or some combination of these developments). Such a convergence does not seem imminent, however, and even if it were to occur, it could not alter the fact that the deficit has already reached worrisome proportions.

To the extent that recent increases in U.S. interest rates, and the parallel appreciation of the U.S. dollar, have been brought about by the strength of expansion in the United States, it could be argued that they are associated with developments that are helping to underpin the growth of exports and output in the rest of the world. In other words, desirable as it may be for the United States to curb its fiscal deficit, the slowdown in domestic demand that would result from such a policy would weaken growth prospects elsewhere. This line of reasoning prompts two comments. First, if a policy is unsustainable, the costs of its eventual correction must be considered along with any short-term benefits. Neither the present rate of real economic growth in the United States, nor the prospective fiscal deficit, nor the current account deficit in the balance of payments can be regarded as indefinitely sustainable. The longer corrective measures are delayed, the more difficult it becomes to avoid disruptive adjustment. Secondly, while high interest rates are currently associated with rapid growth in U.S. domestic demand, such rapid growth will have to slow down eventually as capacity constraints are approached. At such a time, if fiscal deficits are not reduced, the economies of the United States' trading partners could be faced with a situation of continued relatively high interest rates, but without the offsetting benefit of strongly expanding export demand.

An aspect of the prevailing constellation of exchange rates that threatens permanent damage to the international trading system is the impact of the high effective exchange rate for the U.S. dollar on the international competitive position of U.S. industry. In real terms (measured by reference to relative "normalized" unit labor costs in manufacturing), that rate in mid-1984 was 25-30 percent above its average during the preceding decade and more than 40 percent above the level of 1980. Such a degree of deterioration has inevitably aroused complaints from industries producing goods subject to significant competition from imports. These industries have sought--and in some cases achieved--special governmental measures to give them partial insulation from foreign competition. The history of such measures, in the United States and elsewhere, gives abundant grounds for fear that the new protectionist devices, although introduced as temporary expedients, may clog the channels of international trade long after the circumstances leading to their introduction are altered. Minimizing or warding off this threat is one of the reasons for seeking early return to more viable balances of payments on current account.

There are of course many factors other than the high effective exchange rate for the U.S. dollar behind the drift toward protectionism in industrial countries. In Europe, it is primarily the heavy overhang of unemployed resources that gives rise to the problem, while in all industrial countries, the rapidity of structural change prompts requests for protection of declining industries or special encouragement for growing ones. In such circumstances, it is particularly important for governments to exercise vigilance against short-sighted measures that threaten lasting damage to the trading system. 1/

Recognizing this, the leaders of the seven major industrial countries meeting in London in early June agreed to accelerate the completion of current trade liberalization programs, and to press forward with others. However, they made little progress on the crucial issue of the "rollback" of recently introduced protectionist measures. More broadly, concrete cases of liberalization remain scarce. Japan has recently taken a number of measures to liberalize imports, and liberalization of its capital account transactions should improve the climate for an increase in trade. Another largely favorable development was the package of reforms adopted by the Council of the European Communities to adapt the Common Agricultural Policy to changed economic circumstances.

Apart from these isolated cases and a few others of lesser quantitative importance, there is little evidence of even a "standstill" of protectionist measures. An aspect of the recent evolution that is especially worrisome is the gradual institutionalization of protectionism through the adoption of more and more comprehensive systems of "defenses" against "illicit" trade practices or simple market disruptions. In recent months, two developments are of special concern in that context. In late-1983, the United States adopted stronger criteria to be used as early indicators of whether imports of textiles are causing market disruptions, and complemented this action in August 1984 by a tightening of the "rules of origin" for textiles. The European Communities adopted a "new commercial policy instrument" (NCPI) in early 1984 in response to the perceived tightening of the trade policy stance of the United States.

IV. Debt, Adjustment, and Growth in Developing Countries

1. Medium-term outlook and debt prospects

A number of recent developments have served to improve the medium-term prospects and overall debt situation of heavily-indebted developing countries. The adjustments carried out by these countries and the

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1/ Developments during 1983 and early 1984 are documented in the Annual Report on Exchange Arrangements and Exchange Restrictions, 1984 and in the April 1984 World Economic Outlook.

recent upsurge in imports by certain industrial countries have resulted in improvements in their current accounts, thereby reducing prospective levels of external debt and debt service relative to export earnings. The international banking community has indicated its willingness to review the terms of future rescheduling for those countries that have been successful in carrying out adjustment programs, with a view to reducing the frequency of future reschedulings and the prospective debt service burden over the next few years.

Partly offsetting these favorable developments, the economic recovery in industrial countries has led, in the face of fiscal deficits that remain high in several countries, to a significant rise in U.S. dollar interest rates. As a result, the staff has revised upwards projected interest payments by borrowing countries in 1984 and 1985. The interest rates assumed in the "base scenario" used for assessing debt servicing prospects for the remainder of the decade are also higher. The scenario that emerges from these revised projections continues to show that a satisfactory resolution of the debt situation is a realistic possibility, provided appropriate policies are followed by both debtor and creditor countries. 1/ As before, the scenario should be viewed not so much as a forecast of what will happen, but as an indication of the policy challenges that will need to be faced if a satisfactory outcome is to be achieved.

In preparing the revised base scenario, the underlying assumptions have been revised slightly from those used in the staff's March exercise. The principal change is with regard to interest rates. Because of the recent increase in interest rates, the average interest rate paid by borrowing countries on their commercial external debt during the period 1984-85 is now assumed to be 13 1/2 percent, 1 1/2 percentage points higher than in the earlier projection. It is assumed that there will be a fall in the average interest rate paid of 2 1/2 percentage points in 1986-87 and a further fall of one percentage point in 1988-90. It is thus being assumed that the developing countries will pay one percentage point more interest on their commercial debt for each of the scenario years 1986-90, compared with the scenario presented in March 1984.

An additional change in the environmental assumptions, following recent developments in the world economy, is that prices of non-oil primary commodities relative to those of manufactures (real commodity prices) are now projected to be 1 1/2 percent lower in 1984 and 4 percent lower in 1985 than in the March scenario; nevertheless, real commodity prices are assumed to be the same for the period 1986-90 as in the earlier scenario. Both the world price of manufactures and that of oil are now assumed to increase by 4.5 percent per annum over 1986-90, and this rate of increase is assumed to be matched by non-oil commodity prices.

1/ The detailed assumptions underlying the scenario are provided in the introduction to the statistical appendix, and in Appendix Table 39.

While the changes the staff has made in its medium-term assumptions in themselves make for a somewhat less favorable evolution of the external position of developing countries over the medium term, the more favorable prospects for 1984 and 1985 have improved the "base" position from which the medium-term trends start. The initial scenario was based on an expected current account deficit of the non-oil developing countries of $50 billion in 1984 and 1985, but the projected deficit of this group is now put at $45 billion in each of the two years.

The outcome of the staff's new scenario for the non-oil developing countries, as a group, is a ratio of the current account deficit to exports that stabilizes in the region of 9 percent over the scenario period; a fall in the debt-export ratio from 154 percent 1/ in 1983 to 112 percent in 1990; and a ratio of debt service to exports that falls from 22 percent in 1983 to 21 percent in 1990, after an initial rise in that ratio to 24 percent in 1987, reflecting the "hump" in amortization payments that results in part from the reschedulings of 1982-83 (Table IV.1). 2/ These projections are consistent with assumptions that real GDP grows at a rate of about 4 1/2 percent for the non-oil developing countries, and the volume of their imports grows at about 6 1/4 percent, throughout the scenario period (Appendix Table 40).

Particular interest attaches to the situation of the seven largest borrowers 3/ among the developing countries. These countries' current account deficit is now projected at $11 1/2 billion in 1984 and $9 3/4 billion in 1985 (against $14 3/4 billion and $13 billion in the staff's March projection). Over the medium-term, their aggregate debt ratio is expected to decline from 155 percent in 1983 to 149 percent in 1990. Of perhaps more interest than these aggregate developments are the prospects for particular countries. The individual assessments made by the staff for each of the seven major countries suggest that, if the scenario assumptions are borne out, the four Latin American countries in the group (Argentina,

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1/ Owing to re-estimates of 1983 debt data, this figure differs from the 150 percent figure presented in the 1984 World Economic Outlook.

2/ The assumptions and results of the base scenario are presented in the 1984 World Economic Outlook, pp. 67-71; see also supplementary Note 7, pp. 157-162, and Tables 46-49, pp. 218-222.

3/ These countries are those developing countries (including major oil exporters) whose total outstanding external debt at the end of 1983 was in excess of $30 billion or whose outstanding external debt to private creditors was in excess of $20 billion. These countries are: Argentina, Brazil, Indonesia, Korea, Mexico, Philippines, and Venezuela. It should be noted that this is a smaller group than the "major borrowers" referred to in the 1984 World Economic Outlook publication, which were the 25 countries with the largest total external debt at the end of 1982.

Table IV.1. Non-Oil Developing Countries: Medium-Term Projections of Current Account and Debt Burden (Total Short-Term and Long-Term Debt)

Base Scenario

	1977	1982	1983	1984	1985	1987	1990
Current account	(in billions of U.S. dollars)						
Non-oil developing countries	-30.4	-85.9	-52.6	-45.0	-45.0	-57.2	-79.2
Major borrowers	-9.5	-39.8	-11.0	-11.5	-9.7	-6.9	-5.0
	(in percent of exports of goods and services)						
Non-oil developing countries	-13.7	-19.6	-11.9	-9.1	-8.2	-8.6	-8.9
Major borrowers	-13.9	-28.5	-8.0	-7.4	-5.6	-3.2	-1.8
Debt ratio							
Non-oil developing countries	129.5	148.3	154.5	147.4	139.8	126.4	112.0
Major borrowers	185.8	241.9	254.5	238.6	222.0	188.1	148.7
Debt service ratio							
Non-oil developing countries	16.1	25.1	21.9	21.4	22.3	24.1	20.7
Major borrowers	25.4	44.8	38.0	35.0	37.3	41.0	33.0
Interest payments ratio							
Non-oil developing countries	6.2	14.6	12.9	12.8	12.7	10.9	8.8
Major borrowers	10.4	28.4	24.6	24.1	23.7	18.5	13.7
Amortization ratio							
Non-oil developing countries	9.9	10.5	9.0	8.6	9.6	13.2	11.9
Major borrowers	15.0	16.4	13.4	10.9	13.7	22.5	19.2

Brazil, Mexico, and Venezuela) would each have a reduction of 30 percent or more in their respective debt-export ratios. The three Asian countries (which generally had smaller debt ratios in 1983) would have a much smaller reduction, or a small increase, in their ratios. Three of the seven countries are expected to have positive per capita income growth in 1984, and from 1985 onwards increases in living standards appear attainable for all countries. The average growth rate for these seven countries in 1986-90 is 5 percent in the staff's scenario.

A relatively favorable outcome, such as that of the revised base scenario, depends, of course, on several assumed developments that may require policy adaptations and about which considerable uncertainty persists. The key assumptions in question are a decline in interest rates in the second half of the decade, a sustained (if not particularly rapid) recovery in the industrial countries, the maintenance of strong adjustment programs in debtor countries, and the continued willingness of banks to provide the assumed amounts of financing and refinancing.

The rise in U.S. dollar interest rates in the first half of 1984 underlines the uncertainties that surround the course of rates during 1986-90. The decline that the staff has assumed in its base scenario is fully consistent with historical experience and would, in fact, leave real interest rates at the end of the decade well above the average that prevailed during the 1950s and 1960s, and even further above the average of the 1970s (Chart 14). However, developments over the last ten years or so suggest that large and persistent divergences from "normal" real interest rates are possible. A significant and durable decline in rates will require supportive fiscal policies in the major industrial countries.

A failure of interest rates to decline from the levels now projected for 1984-85 would not only have a direct short-run impact on the debt service burden but would also make it more difficult to bring about the reduction in debt ratios that is necessary to achieve a long-run downward trend in debt-service ratios. For the major borrowing countries, for example, a continuation of interest rates at their projected 1984-85 levels throughout the remainder of the decade would, if additional interest costs were met through further external borrowing, bring the debt-service ratio to about 42 percent in 1990 (compared with 38 percent in 1983 and 33 percent in the base scenario); the debt ratio, at 172 percent, would still represent a substantial improvement from 1983 (255 percent) but a far less favorable outcome than under the base scenario (149 percent) (Appendix Table 41).

Progress in reducing the debt burden of developing countries also depends on a continuation of the recovery in the industrial countries. The rate of growth in industrial countries being projected by the staff is relatively modest in historical perspective, and does not involve any substantial further absorption of economic slack after 1985. If there were to be a weakening of growth in the industrial countries, however, the export growth of developing countries would be directly retarded. Moreover, such a weakening could threaten a further intensification of protectionist sentiment. An alternative scenario in which growth of the industrial countries averages one percentage point per annum lower shows that such a development would largely offset the projected reductions in the debt and debt-service burdens of both the non-oil developing countries and the major borrowing group (Appendix Table 41). Under this scenario, there is only a modest improvement in the debt ratio of the non-oil developing countries from 1983 (although this ratio does improve substantially for the major borrowers); the debt service ratio in 1990 is generally higher under this alternative scenario than in 1983, except for the major borrowers when it is assumed that imports are adjusted downwards to prevent a widening of the current account deficit.

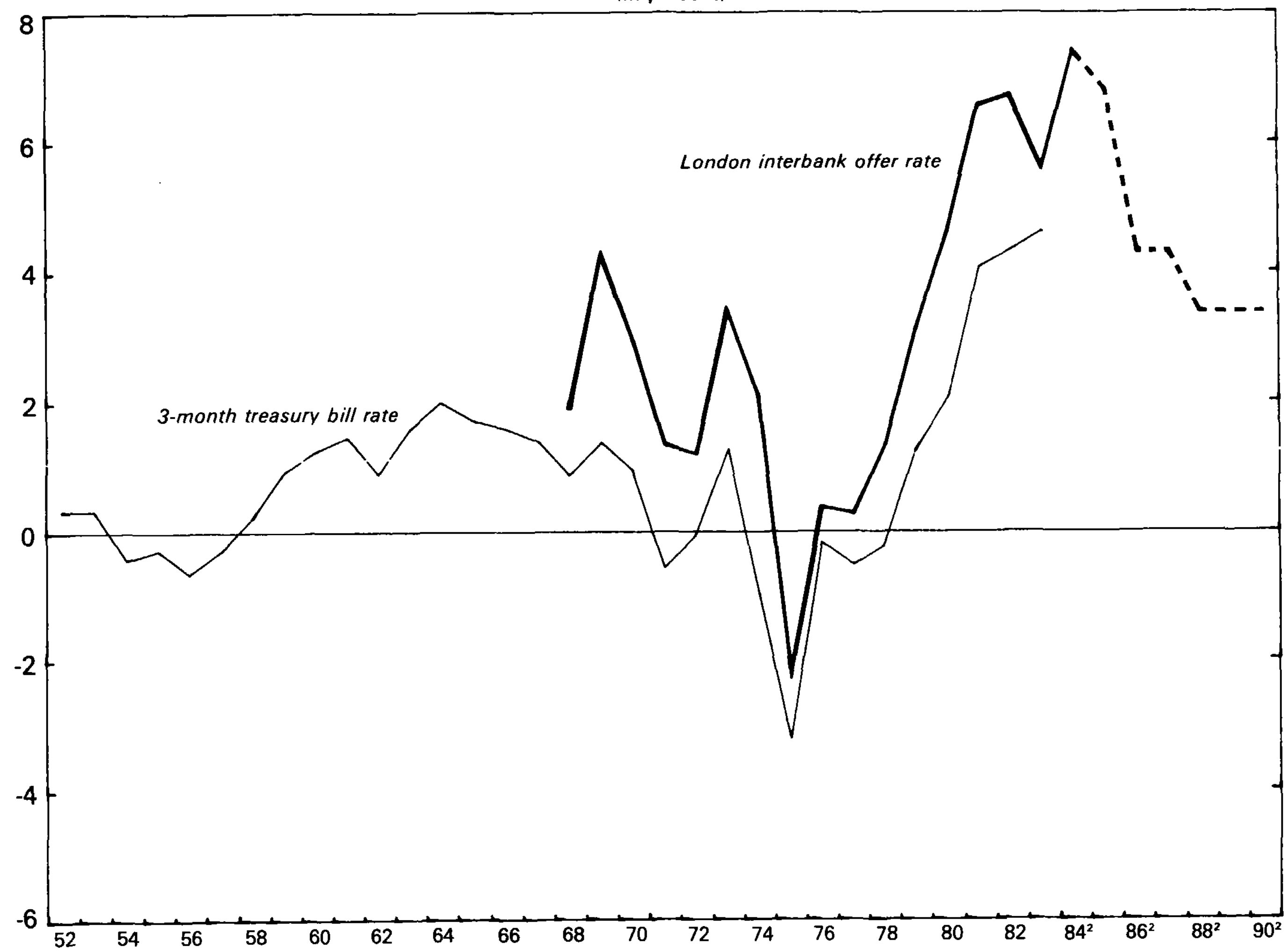
Another development that would jeopardize achievement of the outcomes incorporated in the base scenario would be a failure of developing countries--especially the larger borrowers--to continue the strong adjustment policies undertaken during the past two years. Here, the uncertainty relates to the difficulties that arise for the authorities in many of these countries in resisting pressures to relax restraints on government expenditure, monetary growth, and other crucial domains of policies. In many cases, the fall in real income resulting from efforts to restore financial stability will only be recovered over a number of years and in a few cases per capita incomes may not regain 1980 levels until the end of the decade. Political considerations will undoubtedly influence both the magnitude and the modalities of the future adjustment process in developing countries; further considerations relevant to the aspect of adjustment policy are discussed in subsection 3 below. The results of a "weak policies" scenario, under which the average annual rate of growth of exports is one percentage point lower, and that of imports is one percentage point higher, are nearly as unfavorable as when industrial country growth is lower.

A final imponderable with regard to future developments is the attitude of the commercial banks with regard to the magnitude, terms, and maturities of both new lending and the rescheduling of old loans. Built into the scenario is an assumption that commercial bank financing is no greater than needed to maintain the level (in real terms) of loans not related to trade, and to increase the stock of trade-related financing pari passu with the growth of imports of the borrowing countries. In fact, the increase of such lending under the base scenario comes to a little less than the assumed maximum; the average annual rate of increase of all types of commercial lending is projected to be about 5 percent during 1985-90. Implicit in this growth of bank financing, however, is the assumption that the "hump" in amortization payments during 1985-87, which resulted from the rescheduling of 1982-84, would itself be refinanced, whether spontaneously or through concerted arrangements. The willingness

CHART 14

EVOLUTION OF REAL U.S. INTEREST RATES, 1951-1990[1]

(In percent)



[1]Annual average London interbank offer rate on U.S. dollar deposits and annual average rate on U.S. 3-month treasury bills, both deflated by the U.S. GDP deflator.
[2]Values from 1984 to 1990 are projected.

of banks to agree to additional lending, and to reschedule or refinance old loans, depends in part on economic conditions in the industrial countries--especially the tightness of monetary policy and the size of fiscal deficits--as well as the continued progress made by the borrowing countries toward improvement of their external positions. Perhaps the greatest danger in this regard is that the refinancing "hump" would coincide with a downturn in world economic activity, and that the resulting weakness in developing countries' export earnings would make banks unwilling to extend further finance. The staff has examined the possible consequences of such a sequence of events. If a recession occurred, centered in 1987, and banks ceased new lending, growth in developing countries would (given the assumptions underlying the scenario) fall below the rate of population growth during the recession years.

2. Sustainability of the prospective debt situation

The uncertainties surrounding the prospects of debtor countries have raised questions in various quarters regarding the "viability," "acceptability," or "sustainability" of prospective levels of debt and debt service, especially for the borrowing countries with the heaviest debt burdens. While commonly agreed definitions for such terms as "sustainability" may be elusive, the symptoms of unsustainability of a borrowing country's situation include some combination of the following: accumulation of arrears, failure to service external debt on schedule, a cut-off of normal flows of external financing, a sustained fall in per capita output and income, and growing social tensions. The notion of sustainability implies an equilibrium between the external receipts and payments of a borrowing country that is acceptable both to the polity of that country and to its creditors.

It was argued in the published 1984 World Economic Outlook that the outcome of the base medium-term scenario was reasonably satisfactory, in that it provided for a significant reduction, by 1990, in the ratios of both debt and debt service to exports, while at the same time permitting resumed growth in per capita incomes and a gradual restoration in import levels. This judgment touches on the principal elements in assessing sustainability of the debt situation: first, whether the projected levels of debt can continue to be serviced and, where necessary, financed or refinanced, and second, whether the rates of economic growth and levels of imports projected for the borrowing countries are consistent with at least a gradual pace of further economic development in these countries.

The sustainability of future levels of debt and debt service must be judged from both the borrowing and the lending side; naturally, these aspects of the question are closely related. From the borrowing side, the key question is whether the projected growth in foreign exchange receipts, including prospective additional financing, is sufficient to cover debt service obligations, once allowance has been made for the imports needed to sustain adequate growth in output and consumption. Coming to a judgment on this question requires, in turn, assessments of such matters as the availability of additional external financing of various types (direct investment, official development assistance and commercial loans), as well as capital outflows that may occur; both these factors depend, inter alia, on the types of economic policies likely to be pursued by the authorities over the projection period. From the lending side, the availability of additional finance and refinance, as well as the interest rates and maturity of such finance, depend both on domestic monetary conditions in the lending countries and on the judgments of creditors with regard to developments in borrowing countries. Since such developments, in turn, depend in part on the supply of external finance available, there is a degree of mutual dependence between achieving a sustainable situation from the viewpoint of debtors and creditors alike.

A further dimension of the sustainability of the present situation is the ability of borrowing countries to restore the viability of their external position, while restoring domestic economic growth to rates that sustain the social consensus necessary for effective economic development. In discussing this issue, several important considerations must be kept in mind. One is whether the overall rate of growth is sufficient to bring about a tangible increase in average living standards. Another is whether the distribution of the burdens (and the fruits) of adjustment is perceived to be fair as among social groups. A third and related consideration is whether expectations of rising living standards that have become incompatible with the underlying situation are effectively brought into conformity with new realities.

3. Policy implications of the base scenario

The outcome of the base scenario is posited on the achievement of certain policy objectives in the debtor developing countries, the creditor (especially industrial) countries, and the lending institutions.

With regard to the debtor countries, the sharp improvement in current account balances over the past two years and the persistence of high real interest rates have somewhat conflicting implications for adjustment policies. On the one hand, the current account improvement appears to leave more scope for a gradual expansion of output, expenditure and imports. On the other, the continuation of high interest rates makes increases the level of external financing, at commercial terms, less desirable, even when such financing is available. Indeed, in many developing countries, high interest rates make it necessary to undertake further reductions in the debt-export ratio, if the overall debt service burden is eventually to be brought down to a sustainable level. For such countries, it is therefore not possible to diminish the thrust of current adjustment efforts.

In many cases, however, modifications in the direction and substance of adjustment policies are being considered. The initial adjustment of current account positions often required a suppression of aggregate demand pressures and restrictions on foreign exchange and trade transactions. While steps also were made towards improvements in domestic resource allocation, these improvements had to take place within the constraint of strictly limited growth in overall domestic demand. Now that exports are expanding more satisfactorily, the need for overriding emphasis on curtailing import payments has diminished and policies aimed at increasing investment in the tradable goods sectors, and hence exports and output, can assume a more central role. Such policies, which in many cases have been implemented for some time now, include:

-- Exchange rate policies that are sufficiently flexible to maintain international competitiveness in response to differential rates of inflation, as well as to fluctuations among the currencies of major trading partners;

-- Reforms in the pattern of subsidies, taxes, and administered prices, including tariffs and trade restrictions, all of which affect the levels and structure of output, foreign trade, and investment;

-- Reform of interest rates and credit controls insofar as they influence the allocation of investable resources among different sectors and industries, as well as the choice of factor inputs made by productive units in the economy;

-- Reordering the allocation of public sector expenditure, especially investment expenditure, so as to increase returns to the use of fiscal resources, both in terms of output and the ability of the economy to earn foreign exchange;

-- Development and liberalization of domestic financial institutions, to permit them to perform more effectively and efficiently the tasks of mobilizing domestic savings and allocating those savings among competing domestic investments.

In addition to pursuing policies to bring about domestic adjustments in aggregate demand, in the efficiency of resource use, and in international competitiveness, the authorities of many debtor countries have also been examining possible steps to improve their access to the external financing that they will require in the coming years--without, however, entering into another cycle of overborrowing and debt service difficulties. To accomplish this objective may entail action on several fronts. First, for some countries sources of capital inflows such as private direct investment, credit from official export agencies, and official development assistance may have to play a larger role, relative to commercial bank lending, than has sometimes been the case in the past. While the authorities of the debtor countries do not have control over all the factors determining the magnitude of such flows, there are measures that can be taken to encourage them--for example, offering incentives to (or reducing barriers against) constructive increases in foreign direct investment. Second, to the extent that there remains dependence upon general balance of payments financing on commercial terms, the amount of additional borrowing must be carefully controlled so as not to exceed future debt servicing capacity. Domestic interest rate and exchange rate policies can do much to avoid excessive private borrowing from such sources. Finally, an adequate system of managing both public and private external debt requires the full reporting of all external debt obligations, including the terms of the debts and the schedules of amortization and interest payments, as well as the prompt and systematic compilation and analysis of such data.

Policies in the creditor countries, especially in the industrial countries, can contribute in several ways to an eased external debt position in the borrowing developing countries. This can be accomplished in part through taking steps to improve the global economic environment and in part through measures specifically aimed at encouraging both export earnings of the borrowing countries and flows of capital and aid directed toward these countries.

As regards the global economic environment, the main contribution creditor countries can make is to pursue policies that encourage a sustained economic recovery and to avoid undue competition for savings between governments and the private sector. The first assures a steady growth in the demand for exports from developing countries; the second, some moderation in the presently high levels of interest rates. Both are of crucial importance in achieving at least some reduction in the ratios of debt and debt service to exports for the borrowing countries.

In addition to this overall policy thrust, mention may be made of policies of creditor countries that have a specific bearing on the export markets and financing availabilities faced by the debtor countries:

-- The rate of growth of exports that the borrowing countries are able to achieve is conditioned on the degree to which the major creditor countries are able to resist political pressures for further protectionist measures, and to withdraw existing measures. Underlying the base scenario is the assumption that no additional tariffs or trade restrictions are introduced. Trade liberalization, for which there is ample scope, could appreciably improve the opportunities for the borrowing countries to better their external position.

-- Flows of bilateral and multilateral official development assistance (ODA) are assumed in the base scenario to be maintained unchanged in real terms. An increase in ODA, if focused on the poorest countries, would considerably improve these countries' ability to achieve satisfactory income growth.

-- The major creditor countries can influence in various ways the flows of private capital to debtor countries. In some instances, tax policies or direct controls have been used to influence foreign direct investment. The regulatory authorities can be helpful while monitoring commercial bank lending in regard to lending to particular countries, or in helping to arrange rescheduling or refinancing of their existing debt.

Among the lending institutions, there has arisen, during the same period, a widespread awareness that their actions have ramifications beyond the immediate effect on their own profits and balance sheets, and that, furthermore, the collective interests of these institutions can only be protected through collective action, in cooperation with debtor countries and the interested international agencies, notably the Fund. The shift toward floating rate loans shifted the interest rate risk faced by these institutions onto borrowers, but this in turn increased the credit risk to the lenders. It is clear to these institutions that credit risk can be reduced if borrowing countries follow sound macro-economic policies and, at the same time, if there is reasonable assurance that required flows of external finance will be maintained. The latter can only be assured by mutual agreement of the lending institutions. It follows from this that in cases where the adjustment program of a debtor country has clearly taken hold, a multi-year rescheduling arrangement is advantageous. The reduction of credit risk, where it occurs, should permit a reduction in spreads, which in turn lowers service obligations. Finally, the recognition that the policies of individual lending institutions are interdependent is reflected both in the steering committees that oversee debt negotiations with key debtor countries and in the activities of the Institute of International Finance.

The evolving system for conducting debt negotiations, both among banks and between the banks and the debtor country, would face an especially sharp challenge if, as under the alternative scenarios, balance of payments difficulties became more acute for some of the major borrowing countries. The risk of future crises of this sort could be reduced by engaging in long-term multi-year reschedulings at the present juncture--where justified by the adjustment efforts of the debtor country involved. In addition, debtor country governments and lending institutions alike need to monitor closely the payments situation for possible deviations from the expected evolution of the external situation. In dealing with difficulties, once they arise, it has become evident that the interests of all parties involved are best served by, on the one hand, working out a schedule of financing that permits the debtor economies to ride out temporary difficulties (such as those arising from a recession) while on the other hand, also requiring them to carry out the policies needed to adjust their economies to the changed external circumstances.

V. Topics for Discussion

The following is not intended to be an exhaustive list of the issues raised in this paper, but rather to provide a framework of topics that may be helpful to Directors in structuring their interventions.

1. Main features of the projections

A source of uncertainty in the staff's projections is that many features of the present economic situation have no close parallel in recent cycles. Fiscal policy is quite divergent among major countries, and the cumulative disparity in economic growth between North America and Europe is significantly greater than on previous occasions. These factors are contributing to high real interest rates and large real interest differentials, as well as growing current account imbalances for the United States and Japan. Directors may wish to offer their views on whether the staff's projections are a reasonable reflection of the balance of probabilities, given the uncertainties in the surrounding situation.

2. Policies in industrial countries

The staff continues to believe that the overall policy strategy that has been pursued for several years, and that is intended to provide a stable medium-term framework for private sector decision-taking, should be maintained. The cause of the recent surge in interest rates in the United States is, in the staff's view, the intensified competition for funds between a private sector whose credit needs are expanding rapidly, and a public sector whose deficit remains high, despite the economic recovery. While this competition has not yet prevented vigorous growth in fixed investment in the United States, its potential consequences, both domestically and abroad, are a source of concern that calls for urgent attention. Directors may care to comment on this assessment of the situation and also on the staff's view that structural weaknesses in the European economies, and in particular rigidities in labor markets, have been a major factor preventing these countries from exploiting fully the opportunities for growth.

3. Debt and adjustment in developing countries

The staff's medium-term scenarios show an evolution of balance of payments and debt positions that is broadly similar to the one described six months ago. The impact of an assumed higher level of interest payments over the medium-term is by and large offset by a higher level of export earnings in the short term. While stronger exports will make possible some acceleration in import growth, the staff believes it would be prudent for developing countries to devote at least part of any short-term surge in export proceeds to improving their external financial position. At the same time, it will be important for these countries not to let up on adjustment measures designed to improve the functioning of their domestic economies. Now that adjustment is beginning to show beneficial results in a number of countries, Directors may care to comment on what should be the key priorities for policy in developing countries in the period ahead.

4. International collaboration

Despite the improvements that have taken place in the world economy, ample scope remains for enhanced international collaboration. Areas to which the staff has drawn attention include: the need to resist, and where possible roll back, protectionist pressures; the need for increased flows of official development assistance to the poorest countries; the desirability of encouraging a greater volume of private direct investment; and the importance of providing a medium-term framework for refinancing the debt of those countries whose adjustment policies are well-established. Directors may wish to comment on how these objectives may be given effect, and also on the role of Fund surveillance in the continuing evolution of the system.

Statistical Tables

Introduction

The statistical tables in this appendix have been compiled on the basis of information available on or before August 3, 1984. The estimates and projections for 1984 and beyond are predicated on a number of assumptions and working hypotheses:

(1) For the projections for 1984 and 1985, these are:

-- for the major currencies, the exchange rates of a recent period (June 1984) will prevail throughout the balance of 1984 and 1985;

-- "present" policies of national authorities will be maintained; and

-- the average price of oil will remain constant in nominal terms.

(2) For the "base scenario" projections for 1986-90, the environmental assumptions are:

-- growth of real GNP in the industrial countries will average 3 1/4 percent between 1985-1990;

-- world market prices for manufactures will rise by 4 1/2 percent per annum (in U.S. dollars);

-- no change in the terms of trade between primary commodities and manufactures after 1985;

-- no change in the terms of trade between oil and manufactures after 1985;

-- average interest rates paid by developing countries on floating rate credits will average 2 1/2 percentage points less in 1986-87 and 3 1/2 percentage points less in 1988-90 than rates prevailing in 1984-85 (when LIBOR was assumed to average to 11 1/2 percent);

-- no change in the exposure (in real terms) of international commercial banks to developing countries, except for import-related credits, which are assumed to grow at the same rate as the value of imports after 1985;

-- no further impositions of trade restrictions by industrial countries against exports from developing countries;

-- official development assistance to remain unchanged in real terms; and

-- direct foreign investment in developing countries to increase at a somewhat higher rate than total commercial bank exposure.

For a comparison of these assumptions with those used in the April 1984 World Economic Outlook, see Table 39.

The recording of the figures for 1984 and beyond, throughout the tables, in the same units of measurement as the historical figures--without any further rounding--is solely a matter of statistical convenience, not intended to convey any connotation regarding the degree of accuracy attaching to these estimates and projections.

A few of the tables include series expressed in SDRs (or based on SDR values). The U.S. dollar/SDR conversion rates used in this report are, for the historical period, the geometric averages of daily rates given in the Fund's International Financial Statistics (IFS). For the years prior to 1970, these data impute to the SDR a value of US$1.00. For the period from June 1984 to end-1985, a rate of US$1.040 per SDR--the rate prevailing on average during June 1984--is used.

The classification of countries in this report is the one adopted by the Fund in December 1979 and utilized in IFS for the March 1980 and subsequent issues. Industrial countries comprise

Australia	Germany	New Zealand
Austria	Iceland	Norway
Belgium	Ireland	Spain
Canada	Italy	Sweden
Denmark	Japan	Switzerland
Finland	Luxembourg	United Kingdom
France	Netherlands	United States

The developing countries are divided into two groups--"oil exporting countries" and "non-oil developing countries." The countries covered under the heading oil exporting countries 1/ are

Algeria	Kuwait	Qatar
Indonesia	Libya	Saudi Arabia
Iran, Islamic Republic of	Nigeria	United Arab Emirates
Iraq	Oman	Venezuela

1/ The countries included here are those whose oil exports (net of any imports of crude oil) both account for at least two thirds of the country's total exports and are at least 100 million barrels a year (roughly equivalent to 1 per cent of annual world exports). These criteria are at present applied to 1978-80 averages.

The other developing countries, or non-oil developing countries, include all Fund members (as of March 31, 1984) except those listed above as being "industrial countries" or "oil exporting countries," together with certain essentially autonomous dependent territories for which adequate statistics are available. 1/ Where regional breakdowns of data for "non-oil developing countries" are shown, the subgroups conform to the regional classification used in IFS.

In a number of tables, certain analytical subgroups of countries are distinguished. Among the "developing countries," a subgroup of major borrowers is distinguished. This group comprises those seven developing countries with total outstanding external indebtedness at end-1983 of at least $30 billion or outstanding indebtedness to private creditors at end-1983 of at least $20 billion. These countries are:

Argentina	Brazil	Indonesia	Korea
Mexico	Philippines	Venezuela	

Among the "non-oil developing countries," four analytical subgroups of countries are distinguished. These subgroupings are based primarily on the character of the countries' economic activity and the predominant composition of their exports. Since the large "non-oil" group in the basic classification includes some countries that do have significant production and/or exports of oil, one of the analytic subgroups shown separately comprises countries (outside the main oil exporting group mentioned above) whose oil exports exceeded their oil imports in most years of the 1970s.

The countries classified in the subgroup net oil exporters are

Bahrain	Egypt	Peru
Bolivia	Gabon	Syrian Arab Republic
Congo, People's Republic of the	Malaysia	Trinidad and Tobago
Ecuador	Mexico	Tunisia

Within the great majority of developing countries that are net importers of oil (net oil importers), three subgroups are distinguished. The first is major exporters of manufactures, including

1/ Excluded from this coverage are a considerable number of dependent territories for which certain statistics are regularly compiled (e.g., in IFS) but which do not maintain foreign exchange reserves or encounter balance of payments problems in the usual sense.

Argentina	Israel	Singapore
Brazil	Korea	South Africa
Greece	Portugal	Yugoslavia
Hong Kong		

A second subgroup is the <u>low-income countries</u>, comprising 43 countries whose per capita GDP, as estimated by the World Bank, did not exceed the equivalent of $350 in 1978. These are

Afghanistan	Guinea-Bissau	Niger
Bangladesh	Haiti	Pakistan
Benin	India	Rwanda
Bhutan	Democratic Kampuchea	Senegal
Burma	Kenya	Sierra Leone
Burundi	Lao People's Democratic Republic	Solomon Islands
Cape Verde	Lesotho	Somalia
Central African Republic	Madagascar	Sri Lanka
Chad	Malawi	Sudan
China, People's Republic of	Maldives	Tanzania
Comoros	Mali	Togo
Ethiopia	Mauritania	Uganda
The Gambia	Nepal	Upper Volta
Guinea		Vanuatu
		Vietnam
		Zaire

The third subgroup, <u>other net oil importers</u>, comprises middle-income countries (according to the World Bank's estimates) the majority of which export mainly primary commodities. The countries in this subgroup comprise all non-oil developing countries that are not included among "net oil exporters," "major exporters of manufactures," or "low-income countries."

Under the approach indicated above, certain countries would qualify for inclusion in more than one of these subgroups but are classified in only one of them according to their more predominant characteristics for purposes of analysis. Thus, India, which would qualify as a "major exporter of manufactures," and the People's Republic of China, which to date has been a net exporter of oil, are both classified as low-income countries (within the oil importing subgroup) in this report.

Except where otherwise specifically indicated, the Union of Soviet Socialist Republics and other nonmember countries of Eastern Europe, Cuba, and North Korea are excluded from the following tables. Also, it has not been possible to include in the tables a number of small countries or territories for which trade and payments data are not available.

List of Statistical Tables

Table 1. Industrial Countries: Changes in Output and Prices, 1967-85 1/

(In percent)

	Average 1967-76 2/	Change from Preceding Year 1977	1978	1979	1980	1981	1982	1983	1984	1985	Change from Fourth Quarter of Preceding Year, Fourth quarter 1983	1984	1985
Real GNP													
Canada	4.8	2.0	3.6	3.2	1.1	3.3	-4.4	3.3	4.6	3.1	7.1	3.5	2.8
United States	2.8	5.5	5.0	2.8	-0.3	2.5	-2.1	3.7	7.3	4.0	6.3	6.5	3.5
Japan	7.4	5.3	5.1	5.2	4.8	4.0	3.3	3.0	5.0	4.1	3.6	4.8	4.5
France 3/	4.7	3.1	3.8	3.3	1.1	0.2	2.0	0.7	1.3	1.7	0.6	1.7	1.4
Germany, Fed. Rep. of	3.4	2.8	3.5	4.0	1.9	-0.3	-1.1	1.3	2.7	2.6	2.9	2.7	2.4
Italy 3/	4.3	1.9	2.7	4.9	3.9	0.2	-0.4	-1.2	2.5	2.5	1.2	2.3	2.5
United Kingdom 3/	2.3	2.2	3.8	2.8	-2.5	-1.6	2.3	3.2	2.4	2.4	3.5	2.3	1.9
Other industrial countries	4.3	1.9	2.2	3.1	2.1	0.6	0.2	1.8	3.1	2.7	3.0	2.6	2.7
All industrial countries	3.7	3.9	4.1	3.5	1.3	1.6	-0.2	2.6	4.9	3.4	4.2	4.5	3.1
Of which, Seven major countries above	3.6	4.3	4.5	3.6	1.2	1.8	-0.3	2.7	5.2	3.5	4.4	4.9	3.2
European countries	3.8	2.4	3.1	3.4	1.5	-0.2	0.5	1.3	2.3	2.4	2.2	2.4	2.1
GNP deflator													
Canada	6.9	7.4	6.7	10.3	11.4	10.6	10.4	5.4	4.0	4.7	2.9	4.8	4.5
United States	5.6	5.8	7.4	8.7	9.2	9.6	6.0	3.8	3.9	4.4	3.8	4.1	4.5
Japan	7.9	5.7	4.6	2.6	2.8	2.7	1.7	0.7	0.8	1.2	0.5	1.3	1.3
France 3/	7.3	9.0	9.5	10.4	12.0	12.3	12.5	9.7	7.5	5.4	10.2	6.3	5.1
Germany, Fed. Rep. of	5.1	3.7	4.2	4.0	4.5	4.2	4.8	3.2	2.3	2.6	3.0	1.7	2.7
Italy 3/	9.3	19.1	13.9	15.9	20.7	18.4	17.9	15.0	11.9	11.1	15.5	11.0	10.8
United Kingdom 3/	9.9	13.9	10.9	14.5	19.8	11.7	7.2	5.4	4.9	5.0	4.9	5.2	4.8
Other industrial countries	7.9	10.1	8.7	8.2	9.3	9.5	9.7	7.0	6.1	5.9	6.7	6.1	5.3
All industrial countries	6.7	7.6	7.6	8.0	9.2	8.8	7.2	5.0	4.3	4.4	4.7	4.3	4.3
Of which, Seven major countries above	6.5	7.2	7.3	8.0	9.1	8.7	6.7	4.6	4.0	4.1	4.4	4.1	4.2
European countries	7.5	9.8	8.6	9.0	11.0	10.0	9.4	7.3	6.0	5.4	7.3	5.5	5.2

1/ Composites for the country groups are averages of percentage changes for individual countries weighted by the average U.S. dollar value of their respective GNPs over the preceding three years. For classification of countries in groups shown here, see the introduction to this appendix.
2/ Compound annual rates of change.
3/ GDP at market prices.

Table 2. Developing Countries: Changes in Output, 1967-85 1/

(In percent)

	Average 1967-76 2/	Change from Preceding Year 1977	1978	1979	1980	1981	1982	1983	1984	1985
Developing countries										
Weighted average 3/	5.7	6.0	4.7	4.3	2.3	0.7	-0.1	0.9	3.7	4.4
Of which, major borrowers	6.5	6.0	5.0	6.4	4.7	1.8	0.4	-1.1	1.8	4.0
Median	...	5.1	6.0	4.8	3.7	3.0	1.7	1.9	3.3	3.6
Oil exporting countries 3/	7.0	6.3	2.3	3.7	-2.1	-4.1	-4.2	-0.8	3.8	4.6
Oil sector	...	2.0	-3.5	2.7	-11.7	-15.5	-16.1	-6.0	4.5	4.0
Other sectors	...	9.4	6.0	4.2	4.7	5.3	3.9	1.9	3.5	4.8
Non-oil developing countries										
Weighted average 3/	5.6	5.8	6.4	5.0	5.0	3.1	1.7	1.8	3.7	4.3
Median	5.0	5.0	6.1	4.8	3.8	3.3	1.8	1.9	3.3	3.6
By analytical group										
Weighted averages 3/										
Net oil exporters	6.8	3.7	6.1	7.6	7.3	6.7	1.0	-2.6	2.8	4.6
Net oil importers	5.4	6.1	6.5	4.6	4.7	2.5	1.8	2.6	3.8	4.3
Major exporters of manufactures	6.9	5.7	4.8	6.2	4.5	0.9	0.6	--	2.6	3.6
Low-income countries	3.8	6.6	9.0	3.5	5.9	4.2	4.3	6.7	6.1	5.5
Excl. China and India	3.6	3.6	5.5	3.2	3.2	3.0	3.3	3.4	4.0	4.3
Other net oil importers	5.1	6.0	5.6	3.5	3.2	3.1	0.4	1.6	2.9	3.5
Medians										
Net oil exporters	6.0	4.9	6.9	4.7	6.3	5.1	1.2	0.1	3.8	3.8
Net oil importers	4.8	5.0	6.0	4.8	3.7	2.9	1.8	1.9	3.3	3.5
Major exporters of manufactures	7.6	6.4	6.7	6.4	4.9	4.2	1.2	1.2	2.3	2.2
Low-income countries	3.9	3.8	5.0	3.8	3.6	3.1	2.6	3.3	3.6	3.6
Other net oil importers	5.1	5.5	6.2	4.9	3.7	2.9	1.5	1.0	3.3	3.1
By area										
Weighted averages 3/										
Africa (excluding South Africa)	4.8	2.3	2.5	2.0	3.0	1.7	1.3	0.8	3.2	3.6
Asia	5.0	7.3	9.8	4.8	5.5	5.0	4.5	7.0	6.6	5.8
Europe	5.5	5.4	5.4	3.8	1.5	2.3	1.7	0.9	2.2	2.8
Middle East	5.6	9.4	6.6	5.6	6.8	5.4	2.9	3.8	4.0	4.6
Western Hemisphere	6.6	5.1	4.3	6.5	6.0	1.1	-1.2	-2.8	1.1	3.4
Medians										
Africa	4.7	2.9	4.0	4.0	3.4	2.2	1.9	1.1	3.4	2.9
Asia	4.8	6.0	7.0	6.3	5.5	5.0	3.1	5.5	5.6	4.9
Europe	6.4	6.2	6.8	5.6	2.7	2.5	2.8	1.7	2.1	2.5
Middle East	6.4	5.6	8.3	3.8	6.8	7.3	4.3	3.0	4.8	4.5
Western Hemisphere	4.9	5.3	6.3	4.8	4.7	2.0	-0.5	—	2.1	3.1

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Compound annual rates of change. Excludes China.
3/ Arithmetic averages of country growth rates weighted by the average U.S. dollar value of GDPs over the preceding three years.

Table 3. Developing Countries: Changes in Consumer Prices, 1967-85 1/

(In percent)

	Average 1967-76 2/	Change from Preceding Year 1977	1978	1979	1980	1981	1982	1983	1984	1985
Developing countries										
Weighted average	...	21.9	18.9	21.6	27.2	26.1	24.7	33.3	35.6	22.9
Of which, major borrowers	...	45.4	38.3	43.8	51.3	54.8	59.7	88.5	96.1	50.5
Median	...	11.3	9.5	11.5	14.5	13.5	10.8	10.5	10.0	10.0
Oil exporting countries										
Weighted average 3/	...	15.2	12.0	10.9	13.2	13.2	8.1	10.0	10.8	10.3
Median	...	11.2	10.6	10.6	11.2	11.1	7.6	6.4	7.0	6.5
Non-oil developing countries										
Weighted average 3/	15.9	23.6	20.8	24.8	31.4	30.1	30.3	41.4	44.5	27.1
Median	7.8	11.3	9.4	11.9	14.7	13.7	11.5	11.3	10.0	10.0
By analytical group										
Weighted averages 3/										
Net oil exporters	8.2	22.8	17.7	17.7	24.2	24.4	44.0	71.4	48.3	21.5
Net oil importers	17.3	23.8	21.3	25.9	32.5	31.0	28.0	36.4	43.8	28.1
Major exporters of manufactures	22.6	43.2	40.2	45.4	53.3	59.6	56.5	78.6	101.1	59.2
Low-income countries	10.7	6.9	3.6	6.8	11.6	10.5	7.5	8.1	6.9	5.7
Excl. China and India	14.9	14.2	11.0	18.5	21.5	27.0	20.7	19.5	15.1	10.4
Other net oil importers	15.8	19.7	18.7	23.9	31.5	19.3	15.7	17.2	18.9	13.2
Medians										
Net oil exporters	7.9	12.4	10.6	9.0	15.1	14.6	16.2	17.4	16.5	13.8
Net oil importers	7.8	10.6	9.1	12.1	14.7	13.5	10.8	10.5	10.0	10.0
Major exporters of manufactures	11.5	12.2	14.4	19.0	24.9	21.3	21.0	20.5	20.0	17.0
Low-income countries	8.1	10.0	9.1	11.0	13.6	13.7	12.5	11.8	12.0	10.0
Other net oil importers	7.5	11.3	8.4	12.1	14.5	12.4	7.8	6.9	8.5	8.9
By area										
Weighted averages 3/										
Africa (excluding South Africa)	8.6	24.3	19.3	22.9	22.8	28.0	18.5	26.5	17.0	14.0
Asia	10.3	5.5	3.6	6.7	12.5	10.4	6.0	5.8	6.8	5.3
Europe	9.0	15.1	19.8	25.9	37.9	24.0	23.8	23.2	30.2	20.4
Middle East	9.6	20.0	20.9	25.9	42.2	34.6	37.0	39.2	64.3	61.4
Western Hemisphere	27.5	53.8	45.3	50.1	57.4	63.1	71.8	112.7	119.5	61.5
Medians										
Africa	7.5	12.0	10.2	12.2	13.8	13.5	13.1	13.0	12.0	10.0
Asia	8.0	5.5	5.8	7.2	12.6	13.8	7.4	8.0	7.1	7.0
Europe	7.3	11.1	9.9	14.3	16.2	15.7	19.0	13.9	14.7	12.7
Middle East	9.5	16.1	10.7	14.1	15.2	10.3	10.8	6.1	12.5	16.0
Western Hemisphere	8.7	11.6	10.2	15.6	18.1	14.6	9.4	11.3	12.0	11.0

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Compound annual rates of change. Excludes China.
3/ Geometric averages of country indices, weighted by the average U.S. dollar value of GDPs over the preceding three years.

Table 4. Industrial Countries: Changes in Real Total Domestic Demand, 1967-85 1/

(In percent)

	Average	Change from Preceding Year									Change from Fourth Quarter of Preceding Year — Fourth quarter		
	1967-76 2/	1977	1978	1979	1980	1981	1982	1983	1984	1985	1983	1984	1985
Canada	5.1	1.1	1.7	4.0	-0.2	3.9	-6.5	3.5	4.0	3.1	6.9	3.3	2.7
United States	2.7	5.9	5.0	2.0	-1.2	3.1	-1.2	4.9	8.8	4.1	8.0	7.4	3.5
Japan	7.0	4.2	6.1	6.4	1.2	2.1	3.1	1.6	3.8	3.7	2.0	4.0	3.6
France	4.7	1.8	3.7	4.1	2.2	-0.7	4.1	-0.3	0.5	0.9	-0.7	1.1	1.4
Germany, Fed. Rep. of	2.5	2.9	3.7	5.4	1.4	-2.5	-2.2	1.9	2.0	1.7	4.3	2.0	1.2
Italy	2.6	0.5	2.0	5.7	7.0	-2.2	-0.2	-2.0	2.7	3.1	—	2.8	2.9
United Kingdom	2.0	0.8	4.4	4.4	-3.6	-1.9	3.0	4.3	2.4	2.6	5.4	2.1	2.1
Other industrial countries	3.1	1.5	0.9	3.4	1.8	-1.1	0.2	0.6	2.4	2.2	1.9	1.8	2.4
All industrial countries	3.3	3.6	4.0	3.7	0.5	0.8	0.1	2.7	5.1	3.2	4.6	4.6	2.9
Of which,													
Seven major countries above	3.3	4.0	4.5	3.8	0.2	1.2	0.1	3.1	5.6	3.4	5.0	5.0	2.9
European countries	3.0	1.8	2.7	4.4	1.6	-2.0	0.8	1.0	1.8	2.0	2.1	1.9	1.8

1/ Composites for the country groups are averages of percentage changes for individual countries weighted by the average U.S. dollar value of their respective GNPs over the previous three years. For classification of countries in groups shown here, see the introduction to this appendix.
2/ Compound annual rates of change.

Table 5. Major Industrial Countries: Changes in Real GNP and Components, 1977-85 1/

(In percent)

	Change from Preceding Year									Change from Fourth Quarter of Preceding Year		
										Fourth quarter		
	1977	1978	1979	1980	1981	1982	1983	1984	1985	1983	1984	1985
Consumer expenditure	3.9	4.4	3.6	1.0	1.1	1.4	3.3	3.8	3.5	3.7	3.7	3.1
Public consumption	1.8	2.9	2.2	2.2	2.0	1.6	0.8	2.5	2.5	-0.7	3.8	2.1
Gross fixed investment	7.2	7.0	4.7	-1.9	1.0	-3.5	4.5	10.3	4.5	9.5	7.8	3.4
Final domestic demand	3.9	4.6	3.6	0.8	1.2	0.6	2.9	4.5	3.5	3.6	4.4	3.0
Stock building 2/	0.1	--	0.2	-0.5	-0.1	-0.5	0.2	1.0	-0.1	1.4	0.6	--
Total domestic demand	4.0	4.5	3.8	0.2	1.2	0.1	3.1	5.6	3.4	5.0	5.0	2.9
Exports of goods and services	5.3	8.0	10.2	8.0	5.0	-2.5	-0.9	8.7	6.9	6.1	7.9	7.4
Imports of goods and services	4.8	9.1	9.3	0.5	3.9	1.7	3.5	16.5	6.6	14.6	11.6	6.4
Foreign balance 2/	0.4	--	-0.2	0.9	0.7	-0.4	-0.3	-0.3	0.2	-0.6	-0.2	0.2
GNP	4.3	4.5	3.6	1.2	1.8	-0.3	2.7	5.2	3.5	4.4	4.9	3.2

1/ Averages of percentage changes for individual countries weighted by the average U.S. dollar value of their respective GNPs over the preceding three years.
2/ Changes expressed as a percentage of GNP in the preceding period.

Table 6. Major Industrial Countries: Employment and Unemployment, 1967-85 1/

(In percent)

	Average 1967-76	1977	1978	1979	1980	1981	1982	1983	1984	1985
Growth in employment										
Canada	2.7	1.8	3.5	4.1	3.0	2.8	-3.2	0.8	2.2	2.0
United States	2.0	3.7	4.4	2.9	0.5	1.1	-0.9	1.3	4.6	2.8
Japan	0.9	1.4	1.2	1.3	1.0	0.8	1.0	1.7	0.6	1.3
France	1.1	0.8	0.4	-0.1	--	-0.7	0.1	-0.6	-0.5	-0.4
Germany, Fed. Rep. of	-0.2	--	0.6	2.5	1.1	-0.2	1.2	-2.1	-0.5	0.5
Italy	1.0	1.0	0.5	1.1	1.4	0.5	-0.2	0.2	0.5	1.0
United Kingdom	-0.3	0.3	0.9	1.1	-1.8	-3.8	-2.3	-1.1	0.6	1.0
All seven countries	1.4	2.2	2.6	2.1	0.6	0.4	-0.4	0.5	2.4	1.8
Unemployment rates										
Canada	5.6	8.1	8.3	7.4	7.5	7.5	11.1	11.9	11.3	11.0
United States	5.4	7.0	6.1	5.9	7.2	7.6	9.7	9.6	7.4	6.8
Japan	1.4	2.0	2.2	2.1	2.0	2.2	2.4	2.7	2.6	2.3
France	4.3	5.0	5.4	6.2	6.6	7.6	8.2	9.0	10.0	10.9
Germany, Fed. Rep. of	1.5	3.9	3.8	3.3	3.4	4.9	6.8	8.2	8.2	8.1
Italy 2/	4.8	7.2	7.2	7.7	7.6	8.4	9.1	9.8	9.9	9.9
United Kingdom	3.1	5.6	5.5	5.1	6.4	10.0	11.6	12.3	12.3	11.9
All seven countries 3/	3.7	5.4	5.1	5.0	5.6	6.5	7.9	8.3	7.5	7.2

1/ The figures in the table are not comparable among countries since they are based on the differing labor force definitions and concepts used by the respective national statistical agencies.
2/ Figures for 1967 to 1976 have been adjusted by the staff to allow for a discontinuity in Italian labor force statistics.
3/ National unemployment rates weighted by labor force in the respective countries.

Table 7. Industrial Countries: Changes in Consumer Prices, 1967-85 1/

(In percent)

	Average 1967-76 2/	Change from Preceding Year								
		1977	1978	1979	1980	1981	1982	1983	1984	1985
Canada	6.0	8.0	8.9	9.1	10.2	12.5	10.8	5.8	4.9	4.8
United States	5.8	6.5	7.6	11.3	13.5	10.3	6.2	3.2	4.5	5.0
Japan	8.9	8.0	3.8	3.6	8.0	4.9	2.6	1.8	2.3	2.3
France	7.3	9.4	8.7	10.7	13.8	13.4	11.8	9.6	7.4	5.4
Germany, Fed. Rep. of	4.3	3.7	2.7	4.1	5.5	5.9	5.3	3.0	2.9	2.9
Italy	8.5	17.0	12.1	14.8	21.2	18.7	16.3	15.1	11.5	11.3
United Kingdom	10.0	15.9	8.3	13.4	18.0	11.9	8.6	4.6	5.2	5.1
Other industrial countries	7.4	11.3	8.5	7.7	10.2	10.4	9.7	7.7	6.5	6.2
All industrial countries	6.7	8.4	7.1	9.0	11.8	9.9	7.4	4.9	4.9	4.9
Of which,										
Seven major countries above	6.6	7.9	6.9	9.2	12.1	9.8	7.0	4.4	4.6	4.7
European countries	7.1	10.2	7.4	8.7	11.8	11.0	9.5	7.2	6.3	5.7

1/ Composites for the country groups are averages of percentage changes for individual countries weighted by the average U.S. dollar value of their respective GNPs over the preceding three years. For classification of countries in groups shown here, see the introduction to this appendix.

2/ Compound annual rates of change.

Table 8. Major Industrial Countries: Fiscal Balances and Impulses, 1977-85 1/

(In percent of GNP)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
A. Central government									
Fiscal balance (+ surplus, - deficit)									
Canada 2/	-3.5	-4.6	-3.5	-3.5	-2.2	-5.3	-6.2	-6.6	-5.6
United States	-2.7	-2.0	-1.2	-2.4	-2.5	-4.3	-5.8	-4.8	-4.8
Japan 3/	-5.1	-5.3	-6.2	-6.1	-5.9	-5.5	-5.5	-4.7	-4.2
France 4/	-1.0	-1.6	-1.5	-1.1	-2.6	-2.8	-3.3	-3.3	-3.3
Germany, Fed. Rep. of	-2.2	-2.1	-1.8	-1.7	-2.2	-1.9	-2.0	-1.4	-0.8
Italy 5/	-9.0	-13.1	-10.8	-10.8	-12.8	-15.1	-16.5	-16.9	-16.9
United Kingdom	-3.1	-5.0	-5.3	-4.7	-4.2	-2.9	-4.9	-3.5	-3.1
All seven countries	-3.2	-3.4	-3.1	-3.5	-3.8	-4.6	-5.7	-5.0	-4.8
All seven countries except the United States	-3.7	-4.6	-4.6	-4.3	-4.7	-4.9	-5.6	-5.1	-4.8
Fiscal impulse (+ expansionary, - contractionary)									
Canada 2/	1.2	1.0	-0.6	-0.2	-1.2	0.8	0.8	0.6	-0.7
United States	0.2	--	-0.8	0.3	0.2	0.5	1.6	0.1	0.5
Japan 3/	0.2	0.2	1.0	--	-0.3	-0.6	-0.2	-0.5	-0.5
France 4/	-0.3	0.9	0.1	-0.7	1.0	--	0.1	-0.3	-0.2
Germany, Fed. Rep. of	-0.4	0.1	0.1	-0.4	-0.8	-1.7	-0.1	-0.2	-0.3
Italy 5/	-0.8	3.8	-1.7	0.1	0.6	0.6	-0.4	0.3	-0.2
United Kingdom	-2.3	2.7	0.7	-2.5	-2.2	-1.2	2.5	-1.1	-0.2
All seven countries	-0.1	0.5	-0.2	-0.2	-0.2	-0.1	0.9	-0.1	--
All seven countries except the United States	-0.3	1.0	0.3	-0.5	-0.4	-0.6	0.3	-0.3	-0.4
B. General government 6/									
Fiscal balance (+ surplus, - deficit)									
Canada	-2.4	-3.1	-1.8	-2.7	-1.6	-5.0	-6.2	-5.7	-4.6
United States	-0.9	--	0.6	-1.2	-0.9	-3.8	-3.9	-3.3	-3.4
Japan	-3.8	-5.5	-4.8	-4.2	-4.0	-3.6	-3.2	-2.2	-1.5
France	-0.8	-1.9	-0.7	0.2	-1.8	-2.6	-3.3	-3.2	-3.3
Germany, Fed. Rep. of	-2.4	-2.5	-2.8	-3.1	-3.9	-3.5	-2.7	-1.7	-1.0
Italy	-8.1	-9.7	-9.5	-8.0	-11.9	-12.7	-11.8	-12.4	-12.4
United Kingdom 7/	-3.3	-4.2	-3.2	-3.5	-2.8	-2.1	-3.3	-2.7	-2.2
All seven countries	-2.1	-2.3	-1.9	-2.4	-2.8	-4.0	-4.1	-3.5	-3.3
All seven countries except the United States	-3.2	-4.3	-3.7	-3.4	-4.1	-4.2	-4.3	-3.7	-3.2

Table 8 (concluded). Major Industrial Countries: Fiscal Balances and Impulses, 1977-85 1/

(In percent of GNP)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Fiscal impulse (+ expansionary, - contractionary)									
Canada	-0.2	0.6	-0.9	0.4	-0.8	-0.4	1.3	0.1	-0.8
United States	-0.2	-0.1	-0.5	0.6	-0.2	1.1	0.4	0.9	0.6
Japan	0.2	1.8	-0.5	-0.5	-0.2	-0.7	-0.6	-0.7	-0.7
France	--	1.4	-1.0	-1.6	0.5	0.2	-0.2	-0.9	-0.3
Germany, Fed. Rep. of	-0.8	0.4	0.9	--	-1.0	-2.4	-1.0	-0.4	-0.3
Italy	-2.2	1.2	0.4	-1.3	2.1	-1.0	-3.0	0.9	-0.2
United Kingdom 7/	-1.6	1.8	-0.6	-1.8	-2.4	-0.7	1.8	-0.3	-0.3
All seven countries	-0.4	0.6	-0.3	-0.2	-0.3	--	--	0.2	0.1
All seven countries except the United States	-0.5	1.2	-0.2	-0.8	-0.4	-0.9	-0.4	-0.4	-0.5

1/ For the definition of the fiscal impulse measure, see World Economic Outlook (April 1984) Supplementary Note 1. Data have been converted where necessary from a fiscal to a calendar year basis for ease of comparison. Composites for the country groups are weighted averages of the individual country ratios, with weights in each year proportionate to the U.S. dollar value of the respective GNPs in the preceding year.

2/ Data for Canada are on a national income accounts basis.

3/ Data for Japan cover the consolidated operations of the general account, certain special accounts, social security transactions, and disbursements of the Fiscal Investment and Loan Program (FILP), except those to financial institutions. Japanese data other than FILP transactions are based on national income accounts.

4/ Data for France do not include social security transactions and are on an administrative basis.

5/ Data for Italy refer to the "state sector" and cover the transactions of the state budget as well as those of several autonomous entities operating at the state level. They also include the deficit of the social security institutions and part of that of local authorities.

6/ Data are on a national income basis except for the United Kingdom.

7/ Data for the United Kingdom are on a cash basis and exclude net lending.

Table 9. World Trade Summary, 1967-85 1/

(Percentage changes)

	Average 1967-76 2/	Change from Preceding Year 1977	1978	1979	1980	1981	1982	1983	1984	1985
World trade 3/										
Volume	7.5	5.0	5.5	6.5	2.0	1.0	-2.5	2.0	8.5	5.5
Unit value (in U.S. dollar terms)	8.5	9.0	10.0	18.5	19.5	-1.0	-4.0	-4.5	0.5	3.5
(in SDR terms) 4/	7.0	8.0	2.5	14.5	18.5	9.0	2.5	-1.5	3.0	3.5
Volume of trade										
Exports										
Industrial countries	7.9	5.3	6.2	7.6	3.9	3.3	-2.4	2.7	8.5	5.0
Developing countries	6.5	2.4	4.0	4.4	-2.1	-3.7	-7.5	1.3	8.3	6.0
Oil exporting countries	6.0	0.5	-3.2	1.6	-12.2	-15.2	-18.5	-7.5	6.0	5.2
Non-oil developing countries	6.6	4.1	9.7	8.1	9.0	7.7	1.7	5.8	9.1	6.2
Imports										
Industrial countries	7.5	4.4	5.2	8.6	-1.5	-2.2	-0.6	4.4	12.2	6.3
Developing countries	8.7	10.2	7.1	5.2	8.7	7.4	-4.5	-4.5	3.5	4.9
Oil exporting countries	18.5	16.3	3.4	-8.5	12.4	21.3	5.9	-10.9	-2.7	1.7
Non-oil developing countries	6.0	7.7	8.6	10.6	7.3	3.1	-8.2	-1.9	5.8	6.0
Unit value of trade (in SDR terms) 4/										
Exports										
Industrial countries	6.2	6.6	5.2	11.3	12.2	6.3	3.1	-0.6	2.3	3.9
Developing countries	11.1	10.9	-3.9	26.5	34.4	13.6	1.1	-3.5	4.0	3.1
Oil exporting countries	19.2	8.4	-5.8	40.5	58.7	20.4	2.2	-8.7	1.6	0.9
Non-oil developing countries	6.4	13.2	-2.0	15.0	14.9	7.8	0.2	0.6	5.7	4.4
Imports										
Industrial countries	7.2	7.9	2.3	15.4	20.5	8.0	1.0	-2.7	1.8	3.5
Developing countries	6.8	6.5	3.0	12.9	17.0	12.2	3.3	0.1	4.4	4.0
Oil exporting countries	5.3	7.3	4.9	9.5	10.7	8.2	2.5	0.7	4.0	4.4
Non-oil developing countries	7.1	6.2	2.2	14.3	19.4	13.6	3.6	-0.2	4.5	3.8

1/ For classification of countries in groups shown here, see the introduction to this appendix. Excludes data for China prior to 1978.
2/ Compound annual rates of change.
3/ Averages based on data for the three groups of countries shown separately below and on partly estimated data for other countries (mainly, the U.S.S.R. and other nonmember countries of Eastern Europe and, for years prior to 1978, China). Figures are rounded to the nearest 0.5 percent.
4/ For years prior to 1970, an imputed value of US$1.00 has been assigned to the SDR.

Table 10. Summary of Terms of Trade and World Prices, 1967-85 1/

(Percentage changes)

	Average 1967-76 2/	Change from Preceding Year 1977	1978	1979	1980	1981	1982	1983	1984	1985
Terms of trade										
Industrial countries	-1.0	-1.2	2.8	-3.5	-6.9	-1.6	2.0	2.1	0.5	0.4
Developing countries	4.5	4.1	-6.6	12.1	14.8	1.2	-2.1	-3.6	-0.3	-0.8
Oil exporting countries	13.1	1.0	-10.2	28.3	43.4	11.3	-0.3	-9.3	-2.3	-3.3
Non-oil developing countries	-0.7	6.8	-4.1	0.7	-3.8	-5.1	-3.3	0.8	1.1	0.5
Net oil exporters	1.2	6.9	-4.1	19.2	11.4	-7.0	-6.9	-1.4	1.2	-1.3
Net oil importers	-1.0	6.8	-4.2	-2.2	-6.6	-4.8	-2.6	1.1	1.1	0.9
Major exporters of manufactures	-1.1	5.0	-3.3	-3.3	-5.6	-4.3	-2.4	3.1	1.0	1.4
Low-income countries 3/	-0.6	16.4	-7.3	-0.5	-10.6	-7.3	-1.9	3.3	2.2	-0.7
Other net oil importers	-0.7	6.1	-4.9	0.6	-9.3	-6.7	-4.7	-1.3	0.9	0.6
World trade prices (in U.S. dollar terms) for major commodity groups 4/										
Manufactures	7.5	8.0	14.5	14.0	11.0	-6.0	-2.0	-4.5	1.0	4.0
Oil	21.7	9.4	0.4	46.4	63.0	10.0	-3.9	-12.3	-1.3	--
Non-oil primary commodities (market prices)	7.4	21.2	-4.1	16.3	8.7	-14.6	-12.0	6.7	6.5	2.3

1/ Based on foreign trade unit values except where indicated. For classification of countries in groups shown here, see the introduction to this appendix. Excludes data for China prior to 1978.
2/ Compound annual rates of change.
3/ Excluding China and India.
4/ As represented, respectively, by (1) the United Nations export unit value index for the manufactures of the developed countries; (2) the oil export unit values of the oil exporting countries; and (3) the *International Financial Statistics* index of market quotations for non-oil primary commodities.

Table 11. Price Indices of Non-Oil Primary Commodities, 1967-85 1/

(Percentage changes)

	Average 1967-76 2/	Change from Preceding Year								
		1977	1978	1979	1980	1981	1982	1983	1984	1985
Non-oil primary commodities 3/	7.4	21.2	-4.1	16.3	8.7	-14.6	-12.0	6.7	6.5	2.3
By commodity group										
Food and beverages	9.4	33.4	-10.5	9.6	9.9	-16.9	-12.5	8.3	8.1	-0.2
Food	7.6	-1.8	15.8	13.3	30.1	-13.6	-20.8	8.9	3.1	2.7
Beverages	12.5	73.2	-27.5	5.8	-12.2	-22.3	2.5	7.6	15.1	-3.8
Agricultural raw materials	6.7	3.2	7.6	21.9	4.1	-9.7	-13.7	9.5	9.1	3.6
Metals	3.3	7.5	5.4	29.9	10.7	-14.0	-9.2	0.1	-0.3	7.8
Non-oil primary commodities exported by developing countries 4/										
Oil exporting countries	8.0	27.4	2.1	10.1	-0.2	-11.4	-17.2	16.0	11.1	--
Non-oil developing countries	7.3	25.4	-7.2	14.3	10.0	-14.7	-13.2	7.9	6.7	1.7
By analytical group										
Net oil exporters	7.5	17.2	2.0	16.3	11.1	-13.9	-14.5	9.8	4.6	4.1
Net oil importers	7.2	27.7	-9.5	13.8	9.7	-14.9	-12.8	7.4	7.3	1.1
Major exporters of manufactures	9.1	29.2	-15.2	15.3	16.2	-14.4	-15.8	5.3	5.9	1.6
Low-income countries	6.3	29.9	-10.1	9.7	6.0	-12.3	-12.5	9.4	14.5	-1.7
Other net oil importers	6.6	25.6	-5.3	14.6	7.1	-16.3	-10.9	7.9	5.1	2.0
By area										
Africa (excluding South Africa)	7.0	36.4	-12.1	12.8	-0.7	-16.4	-12.2	9.7	9.5	0.7
Asia	5.4	18.1	10.1	16.6	13.7	-15.7	-16.6	12.8	10.2	1.0
Europe	8.7	0.2	6.7	12.4	10.3	-8.8	-15.5	13.0	7.1	2.1
Middle East	9.5	5.4	0.8	5.8	12.1	-2.0	-23.1	9.7	8.9	1.9
Western Hemisphere	8.2	27.9	-12.6	13.8	12.3	-14.4	-10.7	5.0	4.1	2.2
Memorandum items										
Oil export unit value	21.7	9.4	0.4	46.4	63.0	10.0	-3.9	-12.3	-1.3	--
Export unit value of manufactures	7.5	8.0	14.5	14.0	11.0	-6.0	-1.0	-3.5	1.0	4.0

1/ In U.S. dollar terms. For classification of countries in groups shown here, see the introduction to this appendix.

2/ Compound annual rates of change.

3/ Based on averages of component commodity price indices weighted by the U.S. dollar value of exports of each commodity from primary producing countries in 1968-70.

4/ Averages of percentage changes in individual commodity prices weighted according to the 1968-70 composition of commodity exports of the respective groups of developing countries.

Table 12. Industrial Countries: Merchandise Trade, 1967-85 1/

(Percentage changes from preceding year, except as indicated)

	Average 1967-76 2/	1977	1978	1979	1980	1981	1982	1983	1984	1985
Total merchandise trade										
Value (in billions of U.S. dollars)										
Trade balance	.....	-19	9	-36	-66	-18	-13	-9	-45	-59
Exports	.....	697	834	1,031	1,210	1,204	1,134	1,121	1,216	1,323
Imports	.....	715	826	1,067	1,276	1,221	1,148	1,130	1,260	1,381
Volume										
Exports	7.9	5.3	6.2	7.6	3.9	3.3	-2.4	2.7	8.5	5.0
Imports	7.5	4.4	5.2	8.6	-1.5	-2.2	-0.6	4.4	12.2	6.3
Unit value (in U.S. dollar terms)										
Exports	7.7	7.8	12.8	14.8	13.0	-3.7	-3.5	-3.8	-0.1	3.5
Imports	8.8	9.1	9.7	19.0	21.4	-2.2	-5.4	-5.7	-0.6	3.2
Terms of trade	-1.0	-1.2	2.8	-3.5	-6.9	-1.6	2.0	2.1	0.5	0.4
Net oil imports										
Value (in billions of U.S. dollars)	.....	124	121	175	248	239	194	166	177	188
Volume	8.5	4.5	-4.2	3.6	-14.2	-14.0	-13.8	-5.0	9.4	5.8
Import unit value (in U.S. dollar terms)	19.6	7.2	2.3	42.2	62.1	10.8	-6.5	-10.0	-2.4	-0.1
Memorandum item										
Oil export unit value of oil exporting countries (in U.S. dollar terms)	21.7	9.4	0.4	46.4	63.0	10.0	-3.9	-12.3	-1.3	--
Non-oil trade										
Value (in billions of U.S. dollars)										
Trade balance	.....	105	129	139	182	221	181	158	132	128
Exports	.....	675	810	990	1,152	1,141	1,070	1,059	1,153	1,261
Imports	.....	570	680	851	970	920	889	902	1,020	1,133
Volume										
Exports	8.7	5.2	6.1	7.5	4.4	3.4	-3.1	2.4	9.0	5.5
Imports	8.0	4.2	8.5	10.1	2.7	0.6	1.5	6.0	12.9	7.2
Unit value (in U.S. dollar terms)										
Exports	7.0	7.8	13.1	13.7	11.5	-4.2	-3.3	-3.4	-0.2	3.8
Imports	6.8	9.7	10.0	13.6	11.0	-5.8	-4.8	-4.3	-0.3	3.9
Terms of trade	0.1	-1.8	2.8	0.1	0.4	1.6	1.6	1.0	0.1	-0.1
Memorandum items										
Real GNP 3/	4.0	3.0	3.5	3.4	1.4	0.8	-0.1	2.0	3.8	3.0
Ratio of import volume to real GNP 4/	2.1	1.4	2.4	3.0	1.9	0.8	-11.6	3.0	3.4	2.4
Import volume of non-industrial countries 5/	8.0	7.4	7.2	4.3	7.7	6.1	-2.8	-2.4	3.7	4.7
Of which,										
Oil exporting countries	18.5	16.3	3.4	-8.5	12.4	21.3	5.9	-10.9	-2.7	1.7
Non-oil developing countries	6.0	7.7	8.6	10.6	7.3	3.1	-8.2	-1.9	5.8	6.0
Market prices of non-oil primary commodities (in U.S. dollar terms) 6/	9.5	14.1	-2.7	17.8	10.2	-12.2	-11.4	5.2	4.8	3.8
Unit labor costs in manufacturing (in U.S. dollar terms)	7.1	8.2	13.3	9.0	10.1	-1.4	-0.7	-3.2	-2.4	1.1

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Compound annual rates of change.
3/ Averages of changes for individual countries weighted by the average U.S. dollar value of their respective non-oil imports over the preceding three years.
4/ Ratio of percentage changes of non-oil imports and real GNPs (weighted by non-oil imports).
5/ Total imports.
6/ Average of individual commodity price indices weighted according to the U.S. dollar value of imports of the respective commodities in 1970.

Table 13. Industrial Countries: Export and Import Volumes, 1967-85 1/

(Percentage changes)

	Average 1967-76 2/	Change from Preceding Year 1977	1978	1979	1980	1981	1982	1983	1984	1985
Exports										
Canada	7.0	8.9	10.2	1.6	0.5	3.6	-0.7	8.8	24.7	7.7
United States	6.7	1.2	10.0	14.2	7.0	-3.2	-11.9	-6.2	6.5	3.6
Japan	13.0	9.1	1.0	0.2	19.2	10.6	-2.4	8.6	12.3	5.5
France	9.6	6.6	6.6	9.1	3.3	4.0	-3.8	3.7	5.5	4.5
Germany, Fed. Rep. of	8.1	6.0	4.6	7.3	3.9	5.2	1.9	0.4	9.0	7.0
Italy	8.8	7.0	11.1	7.3	-8.1	5.5	-0.5	5.2	5.0	4.0
United Kingdom	5.7	7.8	2.6	4.8	1.0	-0.8	2.3	0.8	6.1	4.0
Other industrial countries	8.0	4.9	6.0	8.3	1.9	2.4	1.4	6.3	6.5	4.4
All industrial countries	7.9	5.3	6.2	7.6	3.9	3.3	-2.4	2.7	8.5	5.0
Of which, Seven major countries above	7.9	5.5	6.2	7.4	4.6	3.6	-3.6	1.5	9.2	5.2
European countries	7.9	5.8	6.0	7.3	1.3	3.9	0.3	3.8	6.6	4.9
Imports										
Canada	7.7	1.2	4.0	9.1	-5.2	2.7	-15.3	14.1	23.5	7.7
United States	6.9	12.7	7.4	1.0	-6.0	0.7	-5.0	10.0	27.8	11.1
Japan	10.4	3.6	6.6	11.6	-5.0	-2.4	-0.7	1.3	8.1	5.5
France	10.2	0.7	6.1	12.2	6.2	-3.9	3.1	-2.0	0.3	2.0
Germany, Fed. Rep. of	8.0	4.3	7.9	9.2	2.0	-3.7	0.4	5.2	8.0	4.5
Italy	7.1	-0.2	7.9	13.9	2.8	-11.3	3.2	1.6	6.5	6.5
United Kingdom	5.2	1.8	4.7	10.6	-6.0	-3.9	4.8	6.9	7.2	4.7
Other industrial countries	6.9	3.8	1.4	9.3	0.8	-3.0	1.8	1.6	5.2	4.1
All industrial countries	7.5	4.4	5.2	8.6	-1.5	-2.2	-0.6	4.4	12.2	6.3
Of which, Seven major countries above	7.8	4.7	6.7	8.3	-2.3	-1.9	-1.5	5.5	14.5	7.0
European countries	7.5	2.5	4.1	10.7	1.1	-4.3	2.0	2.9	5.5	4.2

1/ Trade in goods only. For classification of countries in groups shown here, see the introduction to this appendix.
2/ Compound annual rates of change.

Table 14. Developing Countries: Merchandise Trade, 1967-85 1/

(Percentage changes, except as indicated)

	Average 1967-76 2/	1977	1978	1979	1980	1981	1982	1983	1984	1985
Developing countries 3/										
Value (in U.S. dollar terms)										
Exports	20.3	14.8	7.2	36.3	32.5	-0.9	-12.4	-5.4	10.0	8.9
Imports	17.5	18.6	18.3	22.5	28.2	9.2	-7.6	-7.5	5.5	8.7
Volume										
Exports	6.5	2.4	4.0	4.4	-2.1	-3.7	-7.5	1.3	8.3	6.0
Imports	8.7	10.2	7.1	5.2	8.7	7.4	-4.5	-4.5	3.5	4.9
Unit values (in U.S. dollar terms)										
Exports	13.0	12.2	3.2	30.6	35.4	2.9	-5.3	-6.6	1.5	2.7
Imports	8.1	7.7	10.4	16.5	17.9	1.7	-3.2	-3.1	1.9	3.6
Terms of trade	4.5	4.1	-6.6	12.1	14.8	1.2	-2.1	-3.6	-0.3	-0.8
Purchasing power of exports 4/	11.3	6.6	-2.9	17.0	12.4	-2.5	-9.5	-2.4	8.0	5.1
Memorandum items										
Real GNP growth of trading partners	4.8	4.5	4.6	4.1	2.5	2.1	0.5	2.3	4.2	3.6
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by developing countries	7.4	21.2	-4.1	16.3	8.7	-14.6	-12.0	6.7	6.5	2.3
Oil exporting countries										
Value (in U.S. dollar terms)										
Exports	29.3	10.1	-2.2	47.4	40.3	-7.5	-22.1	-18.2	5.1	5.8
Imports	27.5	26.2	16.4	3.4	25.3	18.9	1.7	-13.1	-1.2	5.8
Volume										
Exports	6.0	0.5	-3.2	1.6	-12.2	-15.2	-18.5	-7.5	6.0	5.2
Imports	18.5	16.3	3.4	-8.5	12.4	21.3	5.9	-10.9	-2.7	1.7
Unit value (in U.S. dollar terms)										
Exports	21.9	9.6	1.0	45.0	59.9	9.1	-4.3	-11.6	-0.9	0.5
Imports	7.8	8.5	12.5	13.0	11.5	-2.0	-4.0	-2.5	1.5	4.0
Terms of trade	13.1	1.0	-10.2	28.3	43.4	11.3	-0.3	-9.3	-2.3	-3.3
Purchasing power of exports 4/	20.2	1.5	-13.1	30.4	25.8	-5.6	-18.8	-16.1	3.5	1.7
Memorandum items										
Oil export volume (in billions of barrels)	.....	10.80	10.41	10.49	9.12	7.62	6.07	5.51	5.78	6.02
Average oil export price (in U.S. dollars per barrel)	.....	12.82	12.87	18.84	30.70	33.76	32.44	28.44	28.06	28.06
Annual percentage change	21.7	9.3	0.4	46.4	63.0	10.0	-3.9	-12.3	-1.3	--
Real GNP growth of trading partners	5.1	4.6	4.6	4.0	2.5	2.1	0.6	2.3	4.2	3.5
Export unit value (in U.S. dollar terms) of manufactures	7.5	8.0	14.5	13.9	11.1	-6.0	-2.1	-4.3	1.0	4.0
Non-oil developing countries 3/										
Value (in U.S. dollar terms)										
Exports	15.0	19.4	15.3	28.3	26.1	5.2	-4.6	3.1	12.6	10.4
Imports	15.2	15.6	19.1	30.4	29.1	6.2	-10.9	-5.2	8.0	9.7
Volume										
Exports	6.6	4.1	9.7	8.1	9.0	7.7	1.7	5.8	9.1	6.2
Imports	6.0	7.7	8.6	10.6	7.3	3.1	-8.2	-1.9	5.8	6.0
Unit value (in U.S. dollar terms)										
Exports	7.9	14.6	5.1	18.7	15.7	-2.3	-6.2	-2.6	3.2	4.0
Imports	8.6	7.4	9.6	17.9	20.3	3.0	-3.0	-3.3	2.0	3.5
Terms of trade	-0.7	6.8	-4.1	0.7	-3.8	-5.1	-3.3	0.8	1.1	0.5
Purchasing power of exports 4/	5.9	11.2	5.2	8.8	4.8	2.2	-1.6	6.6	10.3	6.7
Memorandum items										
Real GNP growth of trading partners	4.5	4.4	4.6	4.1	2.4	1.9	0.2	2.4	4.3	3.7
Market prices (in U.S. dollar terms) of primary commodities excluding petroleum exported by non-oil developing countries	7.3	25.4	-7.2	14.3	10.0	-14.7	-13.2	7.9	6.7	1.7
Gross reserves (end of period) as percentage of total imports of goods and services 5/	26.0	25.7	26.6	22.7	17.9	16.5	17.0	19.4	20.8	21.4

Table 14 (concluded). Developing Countries: Merchandise Trade, 1967-85

(Percentage changes, except as indicated)

	Average 1967-76 2/	1977	1978	1979	1980	1981	1982	1983	1984	1985
Memorandum										
Major borrowers										
Value (in U.S. dollar terms)										
Exports	16.1	18.3	9.8	31.7	33.4	13.0	-9.1	1.3	13.9	10.5
Imports	16.3	16.6	19.0	26.1	28.8	11.5	-13.1	-18.1	11.1	10.4
Volume										
Exports	4.9	6.2	8.0	4.1	4.0	10.5	-3.3	7.4	8.2	6.8
Imports	7.3	8.6	10.4	7.3	8.2	5.9	-9.0	-14.5	9.3	7.1
Unit values (in U.S. dollar terms)										
Exports	10.7	11.4	1.7	26.5	28.3	2.3	-6.0	-5.8	5.2	3.4
Imports	8.4	7.3	7.8	17.5	19.0	5.3	-4.5	-4.2	1.6	3.1
Terms of trade	2.1	3.8	-5.7	7.6	7.8	-2.9	-1.6	-1.6	3.6	0.3
Purchasing power of exports 4/	7.2	10.3	1.9	12.0	12.1	7.3	-4.9	5.7	12.1	7.2
Memorandum item										
Gross reserves (end of period) as percentage of total imports of goods and services 5/	28.4	28.0	33.8	30.6	21.2	17.3	12.5	16.6	19.8	23.3

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Compound annual rates of change.
3/ Excluding China prior to 1978.
4/ Export earnings deflated by import prices.
5/ Gold holdings are valued at SDR 35 an ounce.

Table 15. Non-Oil Developing Countries--By Analytical Subgroup: Merchandise Trade, 1967-85 1/

(Percentage changes, except as indicated)

	Average 1967-76 2/	Change from Preceding Year 1977	1978	1979	1980	1981	1982	1983	1984	1985
Net oil exporters										
Value (in U.S. dollar terms)										
Exports	14.0	20.8	14.6	47.1	38.1	5.4	-0.6	-0.5	11.4	8.6
Imports	14.6	12.7	14.7	35.1	34.2	18.7	-16.0	-16.0	12.4	11.8
Volume										
Exports	3.2	6.8	10.0	6.4	4.0	7.4	9.0	3.0	7.8	5.7
Imports	5.1	6.4	5.6	16.6	12.5	12.5	-14.1	-15.2	10.0	7.4
Unit value (in U.S. dollar terms)										
Exports	10.4	13.1	4.2	38.2	32.9	-1.9	-8.9	-2.4	3.3	2.7
Imports	9.1	5.8	8.6	15.9	19.3	5.5	-2.2	-1.0	2.2	4.1
Terms of trade	1.2	6.9	-4.1	19.2	11.4	-7.0	-6.9	-1.4	1.2	-1.3
Purchasing power of exports 3/	4.5	14.2	5.5	26.9	15.8	-0.1	1.6	1.5	9.1	4.3
Memorandum items										
Real GNP growth of trading partners	4.5	4.8	4.7	3.9	2.2	2.2	-0.1	2.5	4.8	3.7
Average price of oil (in U.S. dollar terms) exported by major oil exporting countries	21.7	9.3	0.4	46.4	63.0	10.0	-3.9	-12.3	-1.3	---
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by net oil exporters among non-oil developing countries	7.5	17.2	2.0	16.3	11.1	-13.9	-14.5	9.8	4.6	4.1
Gross reserves (end of period) as percentage of total imports of goods and services 4/	22.1	23.5	22.0	20.8	19.3	16.4	14.0	18.5	20.3	21.9
Net oil importers 5/										
Value (in U.S. dollar terms)										
Exports	15.2	19.2	15.4	25.4	23.9	5.2	-5.4	3.6	12.8	10.8
Imports	15.2	16.1	19.8	29.7	28.3	4.1	-9.9	-3.2	7.3	9.4
Volume										
Exports	7.2	3.7	9.7	8.4	10.1	7.8	0.3	6.4	9.4	6.2
Imports	6.2	7.9	9.1	9.7	6.5	1.5	-7.0	0.5	5.2	5.8
Unit value (in U.S. dollar terms)										
Exports	7.5	14.9	5.2	15.6	12.6	-2.4	-5.6	-2.6	3.1	4.3
Imports	8.5	7.6	9.8	18.2	20.5	2.5	-3.1	-3.7	2.0	3.4
Terms of trade	-1.0	6.8	-4.2	-2.2	-6.6	-4.8	-2.6	1.1	1.1	0.9
Purchasing power of exports 3/	6.5	10.7	5.1	6.0	2.8	2.6	-2.3	7.7	10.6	7.2
Memorandum items										
Real GNP growth of trading partners	4.3	4.5	4.5	4.2	2.4	1.8	0.2	2.3	4.2	3.6
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by net oil importers	7.2	27.7	-9.5	13.8	9.7	-14.9	-12.8	7.4	7.3	1.1
Gross reserves (end of period) as percentage of total imports of goods and services 4/	26.6	26.1	27.4	23.1	17.6	16.5	17.6	19.6	20.9	21.3
Major exporters of manufactures										
Value (in U.S. dollar terms)										
Exports	17.7	21.9	19.5	26.9	27.8	7.6	-6.8	7.0	14.9	12.2
Imports	18.5	12.7	19.2	33.5	28.1	6.9	-10.0	-4.2	9.1	10.4
Volume										
Exports	9.9	7.2	12.3	9.9	12.6	9.0	-2.2	9.7	11.7	7.2
Imports	9.4	4.1	8.3	11.8	6.5	3.7	-7.8	1.2	7.1	7.0
Unit value (in U.S. dollar terms)										
Exports	7.1	13.7	6.4	15.5	13.5	-1.4	-4.7	-2.4	2.9	4.7
Imports	8.3	8.3	10.1	19.4	20.2	3.1	-2.4	-5.3	1.9	3.3
Terms of trade	-1.1	5.0	-3.3	-3.3	-5.6	-4.3	-2.4	3.1	1.0	1.4
Purchasing power of exports 3/	8.7	12.5	8.5	6.3	6.3	4.4	-4.5	13.1	12.8	8.7
Memorandum items										
Real GNP growth of trading partners	4.5	4.5	4.5	4.2	2.3	1.9	---	2.4	4.3	3.7
Developed countries' export prices (in U.S. dollar terms) of manufactures	7.5	8.0	14.5	13.9	11.1	-6.0	-2.1	-4.3	1.0	4.0
Gross reserves (end of period) as percentage of total imports of goods and services 4/	28.2	24.2	27.2	21.3	14.9	14.4	14.5	16.5	19.8	22.7

Table 15 (concluded). Non-Oil Developing Countries--By Analytical Subgroup: Merchandise Trade, 1967-85 1/

(Percentage changes, except as indicated)

	Average 1967-76 2/	Change from Preceding Year 1977	1978	1979	1980	1981	1982	1983	1984	1985
Low-income countries excluding China and India										
Value (in U.S. dollar terms)										
Exports	9.1	21.0	7.3	19.3	15.0	-7.2	-7.3	7.5	8.8	9.5
Imports	9.3	15.6	30.8	17.5	22.8	-1.4	-4.0	-3.3	5.9	5.8
Volume										
Exports	1.3	-4.6	5.2	2.8	6.4	-3.0	-1.2	5.1	2.9	5.9
Imports	0.8	6.0	18.7	0.7	1.6	-4.4	0.3	-2.3	2.3	1.7
Unit value (in U.S. dollar terms)										
Exports	7.7	26.9	2.0	16.1	8.1	-4.4	-6.1	2.2	5.7	3.4
Imports	8.4	9.0	10.1	16.7	20.9	3.1	-4.3	-1.0	3.5	4.1
Terms of trade	-0.6	16.4	-7.3	-0.5	-10.6	-7.3	-1.9	3.3	2.2	-0.7
Purchasing power of exports 3/	0.6	11.1	-2.6	2.2	-4.9	-10.0	-3.1	8.5	5.1	5.2
Memorandum items										
Real GNP growth of trading partners	4.5	4.0	4.3	3.7	2.1	1.1	0.5	2.0	3.7	3.5
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by low-income countries	6.3	29.9	-10.1	9.7	6.0	-12.3	-12.5	9.4	14.5	-1.7
Gross reserves (end of period) as percentage of total imports of goods and services 4/	20.5	20.9	17.3	16.5	12.6	12.0	11.2	15.3	13.6	10.0
Other net oil importers										
Value (in U.S. dollar terms)										
Exports	13.9	14.8	11.1	21.8	17.5	-0.2	-4.4	-2.6	10.2	9.9
Imports	14.2	22.1	13.1	23.3	25.6	2.8	-10.7	-3.6	2.4	6.9
Volume										
Exports	5.2	0.8	7.1	4.1	5.8	4.9	4.3	1.3	7.0	5.8
Imports	4.8	13.7	3.7	6.0	2.6	0.8	-7.1	-1.1	0.3	3.6
Unit value (in U.S. dollar terms)										
Exports	8.2	13.9	3.7	17.0	11.0	-4.9	-8.3	-3.8	3.0	3.8
Imports	9.0	7.4	9.1	16.4	22.4	2.0	-3.8	-2.5	2.1	3.2
Terms of trade	-0.7	6.1	-4.9	0.6	-9.3	-6.7	-4.7	-1.3	0.9	0.6
Purchasing power of exports 3/	4.5	6.9	1.8	4.7	-3.9	-2.1	-0.6	--	8.0	6.5
Memorandum items										
Real GNP growth of trading partners	4.0	3.9	4.2	3.7	2.0	1.3	-0.1	2.1	3.9	3.4
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by other net oil importers	6.6	25.6	-5.3	14.6	7.1	-16.3	-10.9	7.9	5.1	2.0
Gross reserves (end of period) as percentage of total imports of goods and services 4/	26.4	25.0	27.1	24.8	21.5	18.8	17.5	16.3	14.4	12.2

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Compound annual rates of change.
3/ Export earnings deflated by import prices.
4/ Gold holdings are valued at SDR 35 an ounce.
5/ Excluding China prior to 1978.

Table 16. Non-Oil Developing Countries--By Region: Merchandise Trade, 1967-85 1/

(Percentage changes, except as indicated)

	Average 1967-76 2/	Change from Preceding Year 1977	1978	1979	1980	1981	1982	1983	1984	1985
Africa (excluding South Africa)										
Value in U.S. dollar terms										
Exports	12.3	15.8	4.2	24.8	17.6	-9.3	-7.3	-2.4	9.0	8.5
Imports	14.0	16.2	15.7	16.9	23.3	-3.2	-8.9	-9.6	3.4	6.2
Volume										
Exports	3.1	-6.3	1.7	4.8	3.1	-3.3	-0.6	-0.1	3.8	3.8
Imports	5.2	11.1	3.6	0.8	4.9	-0.4	-4.0	-10.4	0.2	2.3
Unit value (in U.S. dollar terms)										
Exports	8.9	23.5	2.4	19.0	14.1	-6.3	-6.8	-2.3	5.0	4.5
Imports	8.4	4.6	11.7	16.0	17.5	-2.8	-5.2	0.9	3.2	3.8
Terms of trade	0.5	18.1	-8.4	2.7	-2.9	-3.6	-1.7	-3.2	1.8	0.7
Purchasing power of exports 3/	3.7	10.7	-6.8	7.6	0.1	-6.7	-2.3	-3.3	5.7	4.6
Memorandum items										
Real GNP growth of trading partners	4.3	3.4	3.8	3.3	1.8	0.6	0.3	1.4	3.0	2.8
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by developing countries in Africa	7.0	36.4	-12.1	12.8	-0.7	-16.4	-12.2	9.7	9.5	0.7
Gross reserves (end of period) as percentage of total imports goods and services 4/	16.9	13.6	14.0	13.3	10.2	9.1	8.6	9.3	8.4	5.7
Asia 5/										
Value (in U.S. dollar terms)										
Exports	17.7	19.8	21.0	30.7	24.5	9.5	-1.6	6.8	15.2	11.5
Imports	14.8	18.8	29.8	34.8	30.2	7.2	-5.3	3.4	10.2	11.0
Volume										
Exports	10.9	5.3	11.7	11.4	11.1	10.1	3.9	9.5	11.3	6.6
Imports	5.9	11.5	18.4	14.8	9.6	2.4	-1.6	8.0	8.0	7.1
Unit value (in U.S. dollar terms)										
Exports	6.1	13.8	8.3	17.4	12.0	-0.5	-5.3	-2.5	3.5	4.5
Imports	8.4	6.6	9.6	17.4	18.9	4.7	-3.8	-4.2	2.0	3.7
Terms of trade	-2.2	6.7	-1.2	-0.1	-5.7	-5.0	-1.6	1.8	1.5	0.8
Purchasing power of exports 3/	8.5	12.4	10.4	11.3	4.7	4.6	2.2	11.5	12.9	7.5
Memorandum items										
Real GNP growth of trading partners	5.0	5.2	5.4	5.0	3.3	3.0	1.0	3.2	5.0	4.2
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by developing countries in Asia	5.4	18.1	10.1	16.6	13.7	-15.7	-16.6	12.8	10.2	1.0
Gross reserves (end of period) as percentage of total imports of goods and services 4/	29.7	30.5	26.1	21.7	17.7	18.5	22.5	25.3	26.8	27.1
Europe										
Value (in U.S. dollar terms)										
Exports	15.7	10.6	14.8	21.2	19.6	12.7	-2.0	-0.7	10.0	8.3
Imports	16.6	18.9	8.7	26.1	18.5	2.9	-10.4	-4.9	3.8	7.4
Volume										
Exports	8.5	3.0	6.5	2.5	5.1	15.1	1.5	5.5	9.7	5.2
Imports	7.3	8.0	0.4	6.8	-0.1	4.1	-9.6		1.3	4.1
Unit value (in U.S. dollar terms)										
Exports	6.6	7.3	7.8	18.3	13.9	-2.1	-3.4	-5.8	0.2	3.0
Imports	8.6	10.0	8.3	18.2	18.7	-1.1	-1.0	-4.9	2.4	3.2
Terms of trade	-1.9	-2.5	-0.5	0.1	-4.0	-1.0	-2.5	-0.9	-2.1	-0.2
Purchasing power of exports 3/	6.5	0.5	6.0	2.6	0.8	14.0	-1.1	4.5	7.4	5.0
Memorandum items										
Real GNP growth of trading partners	3.3	3.1	4.1	3.4	2.2	0.9	0.4	2.0	3.4	3.4
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by developing countries in Europe	8.7	0.2	6.7	12.4	10.3	-8.8	-15.5	13.0	7.1	2.1
Gross reserves (end of period) as percentage of total imports of goods and services 4/	29.2	18.3	20.9	15.0	13.2	11.3	10.1	12.1	12.7	11.6

Table 16 (concluded). Non-Oil Developing Countries--By Region: Merchandise Trade, 1967-85 1/

(Percentage changes, except as indicated)

	Average 1967-76 2/	Change from Preceding year								
		1977	1978	1979	1980	1981	1982	1983	1984	1985
Middle East										
Value (in U.S. dollar terms)										
Exports	15.7	22.9	9.0	25.1	34.7	4.9	-7.0	-9.5	10.4	10.2
Imports	15.6	21.4	12.0	27.3	25.4	9.4	-7.2	-3.8	5.9	9.8
Volume										
Exports	4.3	9.1	-4.1	2.7	7.6	1.3	-1.9	-6.2	8.9	7.7
Imports	6.5	14.2	-0.7	6.0	0.8	5.7	-1.8	-1.1	5.0	6.5
Unit value (in U.S. dollar terms)										
Exports	10.9	12.6	13.6	21.9	25.3	3.5	-5.3	-3.5	1.5	2.3
Imports	8.6	6.3	12.7	20.2	24.5	3.5	-5.5	-2.7	0.9	3.1
Terms of trade	2.1	6.0	0.7	1.4	0.6	--	0.2	-0.9	0.6	-0.7
Purchasing power of exports 3/	6.5	15.6	-3.4	4.1	8.2	1.3	-1.6	-7.0	9.5	6.9
Memorandum items										
Real GNP growth of trading partners	4.9	4.6	4.1	4.2	2.4	1.3	-0.1	1.5	3.7	3.5
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by developing countries in Middle East	9.5	5.4	0.8	5.8	12.1	-2.0	-23.1	9.7	8.9	1.9
Gross reserves (end of period) as percentage of total imports of goods and services 4/	30.9	29.7	33.0	27.8	23.9	21.5	23.9	21.1	17.9	16.0
Western Hemisphere										
Value (in U.S. dollar terms)										
Exports	13.5	24.2	10.2	28.6	28.7	7.5	-7.2	2.2	12.1	11.1
Imports	15.4	10.6	15.4	34.4	34.6	7.6	-22.2	-22.2	8.3	10.7
Volume										
Exports	3.0	4.5	14.0	6.4	7.6	11.4	2.1	6.1	6.8	6.9
Imports	5.9	3.7	7.0	15.3	11.0	2.1	-20.8	-20.6	6.4	7.3
Unit value (in U.S. dollar terms)										
Exports	10.3	18.9	-3.3	20.8	19.6	-3.5	-9.1	-3.7	5.0	3.8
Imports	9.0	6.7	7.8	16.6	21.3	5.4	-1.8	-2.1	1.7	3.2
Terms of trade	1.1	11.4	-10.3	3.6	-1.4	-8.5	-7.4	-1.6	3.2	0.6
Purchasing power of exports 3/	4.1	16.4	2.2	10.3	6.1	2.0	-5.4	4.4	10.1	7.6
Memorandum items										
Real GNP growth of trading partners	4.0	4.3	4.2	3.6	1.7	1.3	-1.0	1.8	4.3	3.3
Market prices (in U.S. dollar terms) of primary commodities (excluding petroleum) exported by developing countries in Western Hemisphere	8.2	27.9	-12.6	13.8	12.3	-14.4	-10.7	5.0	4.1	2.2
Gross reserves (end of period) as percentage of total imports of goods and services 4/	24.1	32.2	38.6	34.2	24.2	19.5	15.0	18.2	22.4	26.2

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Compound annual rates of change.
3/ Export earnings deflated by import prices.
4/ Gold holdings are valued at SDR 35 an ounce.
5/ Excluding China prior to 1978.

Table 17. Summary of Payments Balances on Current Account, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Industrial countries	-2.1	32.7	-5.1	-38.1	4.8	3.2	2.8	-30.1	-45.7
Canada	-4.1	-4.0	-4.2	-1.2	-5.4	1.9	1.3	-0.2	--
United States	-11.7	-12.3	2.6	6.6	10.7	-3.8	-35.5	-84.3	-109.0
Japan	11.1	17.0	-8.1	-9.9	6.3	8.8	22.2	36.4	41.5
France	1.0	8.5	6.9	-2.5	-2.8	-9.5	-1.8	-0.2	2.6
Germany, Fed. Rep. of	8.5	13.4	0.1	-8.3	0.8	10.2	9.8	10.7	12.5
Italy	3.1	7.9	6.4	-9.5	-7.5	-4.9	1.0	--	-1.8
United Kingdom	2.0	5.5	3.0	12.7	18.1	13.3	7.5	4.9	4.2
Other industrial countries	-12.0	-3.2	-11.8	-26.0	-15.6	-13.0	-1.6	2.5	4.4
Developing countries	-1.0	-37.3	-1.0	21.8	-55.0	-99.0	-70.1	-53.0	-54.0
Of which: Major borrowers	-9.5	-18.4	-22.3	-26.6	-35.7	-39.8	-11.0	-11.5	-9.7
Oil exporting countries	29.4	5.7	62.3	110.4	53.5	-13.1	-17.5	-8.0	-9.0
Middle Eastern countries	36.7	20.6	61.8	99.7	57.8	3.7	-10.3	-5.5	-6.5
Other	-7.3	-14.9	0.5	10.7	-4.3	-16.8	-7.2	-2.5	-2.5
Non-oil developing countries	-30.4	-42.9	-63.3	-88.7	-108.5	-85.9	-52.6	-45.0	-45.0
By analytical group 2/									
Net oil exporters	-6.4	-7.9	-8.6	-11.0	-23.4	-17.3	-4.4	-6.5	-7.6
Net oil importers	-25.0	-34.3	-52.5	-74.4	-86.4	-74.3	-51.8	-40.6	-37.4
Major exporters of manufactures	-8.9	-10.8	-23.0	-32.8	-37.8	-34.6	-15.9	-8.6	-5.3
Low-income countries	-3.7	-8.2	-10.6	-14.2	-15.5	-15.0	-12.4	-12.8	-13.8
Other net oil importers	-12.5	-15.3	-18.9	-27.4	-33.1	-24.7	-23.5	-19.2	-18.2
By area									
Africa 3/	-6.6	-9.3	-9.6	-12.6	-14.1	-13.0	-10.2	-9.4	-9.6
Asia	-1.6	-8.3	-17.1	-25.3	-22.7	-14.3	-11.5	-6.2	-6.5
Europe	-9.1	-7.2	-10.1	-12.7	-10.4	-6.9	-5.4	-3.1	-3.0
Middle East	-5.1	-6.2	-8.4	-8.1	-10.6	-9.6	-10.2	-9.3	-10.6
Western Hemisphere	-8.5	-13.3	-21.3	-33.1	-45.9	-38.9	-15.5	-17.1	-15.5
Total 4/	-3.1	-4.6	-6.0	-16.3	-50.3	-95.9	-67.3	-83.1	-99.7

1/ On goods, services, and private transfers. For classification of countries in groups shown here, see the introduction to this appendix.
2/ China, which is classified as a low-income country but is also a net oil exporter, is included in the total but not in the subgroups.
3/ Excluding South Africa.
4/ Reflects errors, omissions, and asymmetries in reported balance of payments statistics on current account, plus balance of listed groups with other countries (mainly the U.S.S.R. and other nonmember countries of Eastern Europe).

Table 18. Industrial Countries: Balance of Payments on Current Account, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Exports (f.o.b.)	696.6	834.3	1,030.9	1,210.3	1,203.7	1,134.4	1,121.1	1,215.6	1,322.7
Imports (f.o.b.)	715.4	825.6	1,067.4	1,276.1	1,221.5	1,147.8	1,130.1	1,260.1	1,381.3
Trade balance	-18.8	8.6	-36.5	-65.8	-17.7	-13.4	-9.0	-44.5	-58.6
Services, credits	258.8	321.7	414.8	500.0	534.6	525.3	488.1	514.5	549.1
Services, debits	236.8	290.6	375.0	463.2	503.5	500.9	468.6	492.2	528.1
Private transfers	-5.3	-6.9	-8.4	-9.1	-8.6	-7.8	-7.7	-7.9	-8.1
Net services and private transfers	16.7	24.1	31.4	27.7	22.5	16.6	11.8	14.4	12.9
Balance on current account	-2.1	32.7	-5.1	-38.1	4.8	3.2	2.8	-30.1	-45.7
Official transfers	-13.2	-16.7	-19.6	-22.2	-21.7	-23.1	-21.5	-21.3	-21.7
Balance on current account, including official transfers	-15.3	16.1	-24.7	-60.4	-16.9	-20.0	-18.9	-51.4	-67.4

1/ For classification of countries, see the introduction to this appendix.

Table 19. Industrial Countries: Balances on Current Account, Including Official Transfers, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Canada	-4.1	-4.3	-4.1	-1.0	-5.1	2.2	1.4	—	0.3
United States	-14.5	-15.5	-1.0	1.9	6.3	-9.2	-41.6	-90.0	-115.0
Japan	10.7	16.6	-8.9	-11.2	4.9	7.5	20.5	35.0	40.0
France	-0.4	7.0	5.2	-4.2	-4.8	-12.1	-3.8	-2.4	0.2
Germany, Fed. Rep. of	4.1	9.0	-6.1	-15.8	-5.8	3.6	3.9	4.8	6.3
Italy	2.5	6.4	5.5	-9.7	-8.2	-5.5	0.8	-0.3	-2.1
United Kingdom	0.1	2.2	-1.4	8.5	14.7	10.1	4.4	2.2	1.5
Other industrial countries	-13.7	-5.3	-13.9	-28.9	-19.0	-16.5	-4.5	-0.6	1.3
All industrial countries	-15.3	16.1	-24.7	-60.4	-16.9	-20.0	-18.9	-51.4	-67.4
Of which,									
Seven major countries above	-1.6	21.4	-10.8	-31.4	2.1	-3.5	-14.4	-50.8	-68.8
European countries	-4.0	24.0	-7.7	-45.5	-14.0	-11.0	7.1	11.1	14.1

1/ The balances shown in this table cover goods, services, and all (private and official) current transfers. For clasification of countries in groups shown here, see the introduction to this appendix.

Table 20. Developing Countries: Balance of Payments Summaries, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Developing countries									
Exports (f.o.b.)	318.8	341.8	465.9	617.5	612.1	536.2	507.2	557.9	607.4
Imports (f.o.b.)	281.6	333.1	408.2	523.3	571.6	528.1	488.8	515.5	560.5
Trade balance	37.2	8.7	57.7	94.1	40.5	8.1	18.4	42.4	46.9
Net services and private transfers	-38.2	-46.0	-58.6	-72.4	-95.6	-107.1	-88.5	-95.4	-100.9
Balance on current account	-1.0	-37.2	-1.0	21.7	-55.0	-99.0	-70.1	-53.0	-54.0
Oil exporting countries									
Exports (f.o.b.)	146.7	143.4	211.3	296.5	274.3	213.8	174.9	183.8	194.4
Oil exports	138.6	134.0	197.7	280.1	257.1	196.9	156.8	162.3	168.9
Other exports	8.1	9.4	13.6	16.4	17.2	16.9	18.1	21.5	25.5
Imports (f.o.b.)	83.7	97.4	100.7	126.2	150.0	152.5	132.5	130.9	138.5
Trade balance	63.0	46.0	110.6	170.2	124.3	61.3	42.4	52.9	55.9
Net services and private transfers	-33.6	-40.4	-48.3	-59.8	-70.8	-74.4	-59.9	-60.9	-64.9
Receipts	18.2	21.2	25.6	36.5	47.7	45.2	42.2	42.0	41.7
Payments	51.8	61.6	73.9	96.3	118.5	119.6	102.1	102.9	106.6
Balance on current account	29.4	5.7	62.3	110.4	53.5	-13.1	-17.5	-8.0	-9.0
Non-oil developing countries									
Exports (f.o.b.)	172.1	198.4	254.6	321.0	337.8	322.4	332.3	374.1	413.0
Imports (f.o.b.)	197.9	235.7	307.5	397.1	421.6	375.6	356.3	384.6	422.0
Trade balance	-25.8	-37.3	-52.9	-76.1	-83.8	-53.2	-24.0	-10.5	-9.0
Net services and private transfers	-4.6	-5.6	-10.3	-12.6	-24.8	-32.7	-28.6	-34.5	-36.0
Balance on current account	-30.4	-42.9	-63.3	-88.7	-108.5	-85.9	-52.6	-45.0	-45.0
Net official transfers	8.2	8.2	11.5	12.5	13.1	12.5	12.0	12.8	13.9
Net capital inflows	32.6	49.7	64.6	77.0	92.2	60.9	41.1	42.1	42.9
Overall balance 2/	10.4	15.0	12.9	0.8	-3.2	-12.4	0.5	9.9	11.8
Memorandum item									
Major borrowers									
Exports (f.o.b.)	56.5	62.1	81.8	109.1	123.3	112.0	113.4	129.2	142.7
Imports (f.o.b.)	53.8	64.0	80.7	103.9	115.8	100.7	82.5	91.7	101.2
Trade balance	2.7	-1.9	1.1	5.2	7.4	11.3	31.0	37.5	41.5
Net services and private transfers	-12.3	-16.5	-23.4	-31.7	-43.2	-51.1	-41.9	-49.0	-51.2
Balance on current account	-9.5	-18.4	-22.3	-26.6	-35.7	-39.8	-11.0	-11.5	-9.7
Net official transfers	0.1	0.3	0.4	0.4	0.7	0.5	0.6	0.6	0.6
Net capital inflows	14.8	26.0	31.9	27.2	32.9	20.3	9.9	14.9	16.5
Overall balance 2/	5.4	7.8	10.0	1.1	-2.2	-18.9	-0.5	4.0	7.4

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Equal, with sign reversed, to sum of use of reserves, change in liabilities constituting foreign authorities' reserves, and use of Fund credit. (See Table 27.)

Table 21. Non-Oil Developing Countries--By Analytical Subgroup: Balance of Payments Summaries, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Net oil exporters									
Exports (f.o.b.)	23.5	26.9	39.6	54.7	57.6	57.3	57.6	64.1	69.6
Imports (f.o.b.)	27.3	31.3	42.3	56.7	67.3	56.5	47.5	53.4	59.7
Trade balance	-3.8	-4.4	-2.7	-2.0	-9.7	0.7	10.1	10.8	10.0
Net services and private transfers	-2.6	-3.6	-5.9	-9.0	-13.7	-18.1	-14.5	-17.3	-17.6
Balance on current account	-6.4	-7.9	-8.6	-11.0	-23.4	-17.3	-4.4	-6.5	-7.6
Net official transfers	1.9	1.5	2.3	2.2	2.4	2.0	2.1	2.2	2.3
Net capital inflows	5.3	6.9	10.1	12.3	22.0	11.6	3.4	6.7	8.2
Overall balance 2/	0.8	0.5	3.8	3.5	1.1	-3.8	1.1	2.4	2.8
Net oil importers									
Exports (f.o.b.)	148.6	171.5	215.0	266.3	280.2	265.1	274.8	310.0	343.4
Imports (f.o.b.)	170.7	204.5	265.2	340.4	354.3	319.1	308.8	331.3	362.3
Trade balance	-22.0	-33.0	-50.2	-74.0	-74.1	-54.0	-34.0	-21.3	-18.9
Net services and private transfers	-2.0	-2.0	-4.5	-3.6	-11.1	-14.6	-14.2	-17.2	-18.4
Balance on current account	-24.0	-35.0	-54.7	-77.6	-85.2	-68.6	-48.2	-38.5	-37.4
Net official transfers	6.4	6.7	9.3	10.3	10.7	10.6	9.9	10.6	11.6
Net capital inflows	27.3	42.8	54.6	64.7	70.2	49.3	37.7	35.4	34.8
Overall balance 2/	9.6	14.5	9.1	-2.6	-4.2	-8.7	-0.6	7.6	9.0
Major exporters of manufactures									
Exports (f.o.b.)	78.3	93.5	118.7	151.7	163.2	152.1	162.8	187.1	210.0
Imports (f.o.b)	87.4	104.1	139.0	178.0	190.2	171.2	163.9	178.8	197.4
Trade balance	-9.1	-10.6	-20.3	-26.3	-27.1	-19.0	-1.1	8.4	12.6
Net services and private transfers	0.2	-0.2	-2.8	-6.5	-10.8	-15.5	-14.8	-17.0	-17.9
Balance on current account	-8.9	-10.8	-23.0	-32.8	-37.8	-34.6	-15.9	-8.6	-5.3
Net official transfers	1.4	1.6	2.0	2.3	2.4	2.3	2.4	3.2	3.4
Net capital inflows	11.6	19.7	25.6	28.1	36.4	25.7	15.5	14.5	14.7
Overall balance 2/	4.2	10.5	4.7	-2.3	1.0	-6.6	2.0	9.0	12.8
Low-income countries, excluding China and India									
Exports (f.o.b.)	10.5	11.3	13.5	15.5	14.4	13.3	14.3	15.6	17.1
Imports (f.o.b.)	14.6	19.1	22.5	27.6	27.2	26.1	25.3	26.8	28.4
Trade balance	-4.1	-7.8	-9.0	-12.1	-12.8	-12.8	-11.0	-11.2	-11.3
Net services and private transfers	-1.3	-0.6	-1.0	0.1	0.2	1.0	1.1	0.8	0.6
Balance on current account	-5.4	-8.5	-10.0	-12.0	-12.6	-11.8	-9.9	-10.4	-10.7
Net official transfers	2.5	2.7	3.4	3.9	3.9	4.2	4.3	4.3	4.7
Net capital inflows	3.7	5.3	6.7	7.4	7.4	6.3	5.9	5.7	5.2
Overall balance 2/	0.8	-0.4	0.1	-0.7	-1.3	-1.3	0.3	-0.4	-0.8
Other net oil importers									
Exports (f.o.b.)	45.5	50.5	61.6	72.4	72.2	69.0	67.3	74.2	81.5
Imports (f.o.b.)	55.7	63.0	77.8	97.6	100.4	89.7	86.4	88.5	94.6
Trade balance	-10.2	-12.5	-16.2	-25.3	-28.2	-20.6	-19.2	-14.4	-13.1
Net services and private transfers	-2.3	-2.8	-2.7	-2.2	-4.9	-4.1	-4.3	-4.8	-5.1
Balance on current account	-12.5	-15.3	-18.9	-27.4	-33.1	-24.7	-23.5	-19.2	-18.2
Net official transfers	2.2	2.0	3.2	3.6	4.0	3.7	3.0	2.9	3.3
Net capital inflows	12.0	16.5	18.4	24.7	25.4	15.5	15.0	13.0	11.1
Overall balance 2/	1.7	3.2	2.7	0.9	-3.7	-5.5	-5.5	-3.3	-3.8

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Equal, with sign reversed, to sum of use of reserves, change in liabilities constituting foreign authorities' reserves, and use of Fund credit. (See Table 28.)

Table 22. Non-Oil Developing Countries--By Region: Balance of Payments Summaries, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Africa (excluding South Africa)									
Exports (f.o.b.)	18.3	19.1	23.8	28.0	25.4	23.6	23.0	25.1	27.2
Imports (f.o.b.)	19.7	22.8	26.7	32.9	31.9	29.0	26.2	27.1	28.8
Trade balance	-1.4	-3.7	-2.9	-4.9	-6.5	-5.5	-3.3	-2.1	-1.6
Net services and private transfers	-5.2	-5.6	-6.7	-7.7	-7.7	-7.5	-6.9	-7.3	-7.9
Balance on current account	-6.6	-9.3	-9.6	-12.6	-14.1	-13.0	-10.2	-9.4	-9.6
Net official transfers	2.3	2.5	3.0	3.4	3.4	3.3	3.3	3.4	3.5
Net capital inflows	5.0	6.4	6.4	7.8	8.4	8.1	5.4	5.1	3.2
Overall balance 2/	0.7	-0.5	-0.2	-1.4	-2.3	-1.6	-1.5	-0.9	-2.9
Asia									
Exports (f.o.b.)	68.1	82.4	107.7	134.1	146.8	144.4	154.2	177.7	198.0
Imports (f.o.b.)	72.2	93.7	126.3	164.5	176.3	166.9	172.6	190.1	211.0
Trade balance	-4.1	-11.3	-18.6	-30.4	-29.4	-22.4	-18.3	-12.5	-13.0
Net services and private transfers	2.5	2.9	1.5	5.1	6.7	8.1	6.9	6.3	6.4
Balance on current account	-1.6	-8.3	-17.1	-25.3	-22.7	-14.3	-11.5	-6.2	-6.5
Net official transfers	1.8	1.9	2.6	2.6	2.7	2.7	2.7	2.6	2.8
Net capital inflows	5.4	11.1	19.2	24.1	23.5	16.3	14.9	12.1	13.5
Overall balance 2/	5.6	4.7	4.7	1.4	3.5	4.6	6.2	8.5	9.7
Europe									
Exports (f.o.b.)	24.9	28.6	34.7	41.5	46.7	45.8	45.5	50.0	54.2
Imports (f.o.b.)	38.7	42.0	53.0	62.9	64.7	58.0	55.1	57.2	61.4
Trade balance	-13.8	-13.5	-18.4	-21.4	-18.0	-12.2	-9.6	-7.1	-7.2
Net services and private transfers	4.7	6.3	8.3	8.7	7.6	5.3	4.2	4.1	4.2
Balance on current account	-9.1	-7.2	-10.1	-12.7	-10.4	-6.9	-5.4	-3.1	-3.0
Net official transfers	0.1	0.1	0.1	0.1	0.3	0.6	0.9	0.9	1.0
Net capital inflows	7.5	7.5	9.8	13.1	8.8	4.1	3.3	2.6	2.4
Overall balance 2/	-1.5	0.4	-0.2	0.5	-1.4	-2.2	-1.2	0.5	0.4
Middle East									
Exports (f.o.b.)	9.4	10.2	12.8	17.2	18.0	16.8	15.2	16.8	18.5
Imports (f.o.b.)	18.7	20.9	26.6	33.4	36.5	33.9	32.6	34.6	38.0
Trade balance	-9.3	-10.7	-13.8	-16.2	-18.5	-17.1	-17.5	-17.8	-19.5
Net services and private transfers	4.2	4.5	5.4	8.1	7.9	7.5	7.3	8.5	8.9
Balance on current account	-5.1	-6.2	-8.4	-8.1	-10.6	-9.6	-10.2	-9.3	-10.6
Net official transfers	3.6	3.2	5.0	5.4	5.6	4.7	3.8	4.6	5.2
Net capital inflows	1.8	3.9	4.6	4.1	5.5	6.9	5.4	3.4	4.7
Overall balance 2/	0.3	0.9	1.1	1.4	0.5	2.0	-1.0	-1.3	-0.7
Western Hemisphere									
Exports (f.o.b.)	41.0	45.1	58.0	74.7	80.3	74.6	76.2	85.4	94.9
Imports (f.o.b.)	40.8	47.0	63.2	85.1	91.6	71.2	55.4	60.0	66.4
Trade balance	0.2	-1.9	-5.2	-10.4	-11.3	3.3	20.8	25.4	28.4
Net services and private transfers	-8.7	-11.4	-16.1	-22.7	-34.6	-42.2	-36.3	-42.5	-44.0
Balance on current account	-8.5	-13.3	-21.3	-33.1	-45.9	-38.9	-15.5	-17.1	-15.5
Net official transfers	0.3	0.4	0.8	0.7	0.8	1.0	1.2	1.2	1.2
Net capital inflows	13.7	22.1	27.6	30.5	42.7	23.7	11.5	19.2	19.6
Overall balance 2/	5.5	9.2	7.0	-1.9	-2.4	-14.2	-2.9	3.2	5.2

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Equal, with sign reversed, to sum of use of reserves, change in liabilities constituting foreign authorities' reserves, and use of Fund credit. (See Table 28.)

Table 23. Non-Oil Developing Countries: Selected Components of Balances on Current Account, 1977-85

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
All non-oil developing countries									
Balance on current account	-30.4	-42.9	-63.3	-88.7	-108.5	-85.9	-52.6	-45.0	-45.0
Trade balance	-25.8	-37.3	-52.9	-76.1	-83.8	-53.2	-24.0	-10.5	-9.0
Oil trade balance 2/	-18.4	-18.6	-25.1	-38.4	-38.9	-29.3	-21.9	-19.7	-19.5
Non-oil trade balance 3/	-7.5	-18.8	-27.8	-37.7	-44.9	-24.0	-2.0	9.2	10.6
Net services and private transfers	-4.6	-5.6	-10.3	-12.6	-24.8	-32.7	-28.6	-34.5	-36.0
Interest income, net 4/	-10.6	-13.4	-17.6	-26.1	-40.3	-51.5	-50.5	-54.4	-60.5
Other services and private transfers, net	6.0	7.8	7.3	13.5	15.5	18.8	21.8	19.9	24.4
Net oil exporters									
Balance on current account	-6.4	-7.9	-8.6	-11.0	-23.4	-17.3	-4.4	-6.5	-7.6
Trade balance	-3.8	-4.4	-2.7	-2.0	-9.7	0.7	10.1	10.8	10.0
Oil trade balance 2/	5.5	7.1	13.3	23.7	27.1	29.4	27.9	29.0	29.9
Non-oil trade balance 3/	-9.2	-11.5	-16.0	-25.8	-36.8	-28.6	-17.8	-18.2	-19.9
Net services and private transfers	-2.6	-3.6	-5.9	-9.0	-13.7	-18.1	-14.5	-17.3	-17.6
Interest income, net 4/	-2.7	-3.5	-3.1	-4.3	-6.9	-10.5	-11.2	-11.6	-13.9
Other services and private transfers, net	0.1	-0.1	-2.8	-4.7	-6.9	-7.6	-3.3	-5.7	-3.7
Net oil importers, excl. China									
Balance on current account	-25.0	-34.3	-52.5	-74.4	-86.4	-74.3	-51.8	-40.6	-37.4
Trade balance	-22.5	-31.8	-47.7	-70.5	-75.1	-58.6	-36.3	-22.1	-17.3
Oil trade balance 2/	-24.6	-26.6	-40.2	-65.1	-69.3	-62.0	-52.8	-51.6	-52.3
Non-oil trade balance 3/	2.1	-5.2	-7.5	-5.3	-5.8	3.4	16.5	29.5	35.0
Net services and private transfers	-2.6	-2.5	-4.8	-3.9	-11.3	-15.7	-15.4	-18.5	-20.1
Interest income, net 4/	-8.0	-9.9	-14.5	-21.8	-33.3	-41.4	-40.1	-43.5	-48.3
Other services and private transfers, net	5.5	7.5	9.6	17.9	22.0	25.7	24.6	25.0	28.2

1/ For classification of countries in groups shown here, see the introduction to this appendix. China, which is classified as a low-income country but is also a net oil exporter, is included in the total but not in the subgroups.
2/ Based on a c.i.f. valuation of oil imports.
3/ Calculated by residual.
4/ Comprises all investment income (including dividends), except payments of income on foreign direct investment.

Table 24. Developing Countries: Current Account Balances as Percentage of Exports of Goods and Services, 1967-85 1/

	Average 1967-76 2/	1977	1978	1979	1980	1981	1982	1983	1984	1985
Developing countries										
Weighted average	-6.7	-0.3	-8.7	-0.2	2.9	-7.1	-14.2	-10.6	-7.6	-6.9
Median	-19.9	-20.5	-29.6	-27.0	-30.4	-37.5	-35.4	-31.0	-25.9	-24.3
Oil exporting countries										
Weighted average	11.3	17.9	3.5	26.3	33.2	16.6	-5.1	-8.1	-4.2	-3.8
Median	8.4	19.3	3.5	24.2	31.8	5.4	1.5	-1.6	-2.5	-3.8
Non-oil developing countries										
Weighted average	-17.1	-13.7	-16.4	-18.7	-20.7	-23.7	-19.6	-11.9	-9.1	-8.2
Median	-22.0	-21.5	-30.7	-29.1	-34.1	-42.4	-36.9	-33.9	-29.4	-25.9
By analytical group										
Weighted averages										
Net oil exporters	-22.6	-19.3	-20.2	-15.3	-14.5	-28.7	-22.3	-5.6	-7.6	-8.0
Net oil importers	-16.2	-12.7	-15.7	-19.4	-22.0	-22.6	-19.0	-13.2	-9.4	-8.3
Major exporters of manufactures	-15.5	-8.7	-8.8	-14.7	-16.5	-17.4	-16.9	-7.5	-3.6	-2.0
Low-income countries	-22.7	-9.1	-26.7	-29.8	-32.8	-25.3	-16.6	-15.4	-17.2	-20.7
Excluding India and China	-46.5	-41.9	-59.0	-58.3	-59.6	-66.3	-65.6	-51.6	-50.4	-47.5
Other net oil importers	-13.5	-21.6	-23.0	-23.1	-27.3	-32.3	-24.7	-24.4	-18.2	-15.8
Medians										
Net oil exporters	-19.5	-21.9	-24.4	-16.2	-5.7	-25.6	-23.3	-18.7	-14.2	-13.8
Net oil importers	-22.4	-21.5	-32.7	-30.4	-36.7	-42.5	-42.0	-36.1	-32.5	-27.6
Major exporters of manufactures	-13.9	-2.9	-9.7	-7.1	-18.7	-19.9	-15.6	-5.5	-2.5	--
Low-income countries	-41.1	-41.8	-69.5	-69.0	-67.5	-66.4	-87.5	-74.8	-59.7	-58.7
Other net oil importers	-16.9	-17.8	-23.8	-24.5	-27.9	-36.3	-32.1	-30.8	-25.7	-24.1
By area										
Weighted averages										
Africa (excluding South Africa)	-20.6	-29.0	-38.1	-31.7	-35.1	-42.9	-42.3	-34.0	-28.7	-26.8
Asia	-12.9	-1.9	-8.0	-12.6	-14.9	-11.9	-7.5	-5.7	-2.7	-2.6
Europe	-8.5	-27.7	-18.9	-21.2	-22.2	-16.2	-11.4	-9.1	-4.7	-4.3
Middle East	-34.2	-32.6	-32.6	-34.8	-24.3	-30.7	-28.3	-31.8	-26.4	-27.5
Western Hemisphere	-24.1	-15.9	-21.9	-26.8	-32.2	-41.0	-38.3	-15.6	-15.5	-12.5
Medians										
Africa (excluding South Africa)	-26.8	-22.9	-46.8	-38.8	-51.6	-55.4	-62.1	-53.0	-41.4	-35.2
Asia	-21.8	-22.5	-32.5	-28.7	-36.4	-35.1	-30.5	-31.6	-27.2	-25.7
Europe	-7.7	-21.5	-18.0	-20.4	-19.3	-11.8	-9.4	-10.0	-7.5	-8.5
Middle East	-30.9	-28.0	-45.9	-53.6	-41.9	-52.1	-51.7	-52.0	-45.4	-47.3
Western Hemisphere	-21.1	-20.1	-12.7	-18.9	-24.3	-37.5	-30.9	-25.0	-24.8	-21.5
Memorandum item										
Major borrowers										
Weighted average	-20.0	-13.9	-23.6	-22.0	-19.7	-23.1	-28.5	-8.0	-7.4	-5.6
Median	-20.3	-20.2	-26.4	-21.5	-25.4	-25.6	-24.1	-25.0	-16.5	-10.2

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Excludes China.

Table 25. World Payments Balances on Current Account, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Industrial countries 2/	-2	33	-5	-38	5	3	3	-30	-46
Developing countries 2/	-1	-37	-1	22	-55	-99	-70	-53	-54
Oil exporting countries	29	6	62	110	54	-13	-17	-8	-9
Non-oil developing countries	-30	-43	-63	-89	-109	-86	-53	-45	-45
Subtotal	-3	-5	-6	-16	-50	-96	-67	-83	-100
Other countries 3/	-3	-5	3	2	-1	5	3	5	7
Total	-6	-9	-3	-14	-51	-91	-65	-78	-92
Total asymmetry above, by selected categories									
Trade balance asymmetry	17	15	27	34	27	4	16	7	--
Of which,									
Timing asymmetry on trade 4/	7	14	27	9	-2	-9	5	8	11
Residual asymmetry on trade	10	1	--	25	29	13	11	-1	-11
Asymmetry on account of services and private transfers	-23	-25	-30	-49	-78	-95	-81	-85	-92

1/ Goods, services, and private transfers.
2/ For classification of countries in groups shown here, see the introduction to this appendix.
3/ This group comprises a number of countries outside the Fund membership, the most important of which are the U.S.S.R. and other nonmember countries of Eastern Europe. The figures are rough estimates based on incomplete information.
4/ Staff estimates of the difference between the beginning-of-year and end-of-year "float," that is, the value of those exports that have not yet been recorded as imports (usually because the goods are in transit or because of delays in the processing of the documentation). The estimates should be viewed only as rough orders of magnitude.

Table 26. Oil Exporting Countries: Estimated Disposition of Current Account Surplus, 1974-83 1/

(In billions of U.S. dollars)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	Total 1974-83
Current account surplus 2/	69	35	39	29	6	62	110	53	-13	-17	373
Plus: Oil sector capital transactions (outflow -) 3/	-12	1	-6	-1	2	-9	-2	3	6	3	-15
Net borrowing 4/	2	3	9	11	16	10	7	7	15	17	97
Equals: Cash surplus available for disposition	59	39	42	39	24	63	115	63	8	3	455
Disposition of cash surplus:											
Fund and World Bank 5/	4	3	2	--	-1	-1	1	3	3	6	20
Loans and grants to non-oil developing countries 6/	5	7	7	8	9	9	11	10	8	7	81
Bank deposits in industrial countries (net) 7/	30	11	13	13	5	40	42	2	-16	-13	127
Direct placements	7	2	1	2	2	8	6	--	4	--	32
Eurocurrency deposits	23	9	12	11	3	32	36	2	-20	-13	95
Other placements 8/	20	18	20	18	11	15	61	48	13	3	227

1/ For country classification, see the introduction to this appendix.
2/ As shown in Table 20.
3/ Mainly changes in accounts receivable from oil exports.
4/ Total net increase in external liabilities of public and private sectors (including banks). Includes small amounts of official transfer receipts, inward non-oil direct investment capital, and miscellaneous capital items. Excludes borrowing from other oil exporting countries.
5/ Includes lending to the Fund, other changes in the reserve position in the Fund, and direct purchases of World Bank bonds.
6/ Includes contributions and capital subscriptions to multilateral development agencies (other than the World Bank). Estimates are based on highly uncertain information.
7/ Includes deposits in Eurocurrency markets.
8/ Includes net acquisitions of government securities, corporate stocks and bonds, bilateral lending (except to non-oil developing countries), real estate and other direct investments, and prepayments for imports. Also includes unidentified placements and statistical discrepancies.

Table 27. Developing Countries--Major Borrowers: Current Account Financing, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Current account deficit 2/	9.5	18.4	22.3	26.6	35.7	39.8	11.0	11.5	9.7
Non-debt-creating flows, net	2.4	4.1	5.8	5.2	7.7	8.8	3.4	4.5	5.0
Official transfers	0.1	0.3	0.4	0.4	0.7	0.5	0.6	0.6	0.6
Direct investment flows, net	2.5	3.7	4.3	4.2	6.3	4.6	2.6	3.0	3.3
SDR allocations, valuation adjustments, and gold monetization	-0.2	0.2	1.1	0.6	0.8	3.6	0.2	0.9	1.0
Use of reserves	-5.0	-7.3	-9.5	-2.2	1.2	16.7	-3.3	-8.4	-10.8
Recorded errors and omissions 3/	-3.2	-3.2	-2.7	-16.9	-19.9	-21.2	-13.5	-8.1	-8.1
Net external borrowing 4/	15.2	24.8	28.8	40.4	46.7	35.4	24.4	23.4	23.7
Reserve-related liabilities	-0.4	-0.6	-0.5	1.1	1.0	7.7	7.9	-1.1	1.9
Liabilities constituting foreign authorities' reserves 5/	-0.5	0.1	-0.3	0.4	0.2	1.5	-1.1	--	--
Use of Fund credit	0.1	-0.7	-0.2	0.7	0.8	0.7	5.0	4.4	3.5
Arrears	--	--	--	--	--	5.5	4.1	-5.4	-1.5
Long-term borrowing from official creditors, net (6/	2.2	2.3	3.2	2.6	5.0	5.0	7.1	11.2	7.7
Other net external borrowing 7/	13.4	23.1	26.0	36.7	40.8	22.7	9.4	13.3	14.1
Long term	7.5	13.3	18.0	14.3	27.6	16.2	29.9	39.2	...
From banks 8/	3.3	16.3	12.7	10.7	16.1	10.3	27.9	38.2	...
Other	4.2	-3.0	5.3	3.6	11.5	5.8	2.0	1.1	...
Short term	6.0	9.7	8.0	22.4	13.1	6.5	-20.5	-26.0	...

1/ For country classification, see the introduction to this appendix.
2/ Net total of balances on goods, services and private transfers, as defined in the yearbook issue of the Fund's Balance of Payments Statistics (with sign reversed).
3/ Positioned here on the presumption that estimates reflect primarily unrecorded capital outflows. Estimates and projections for 1983-85 assume a gradual reversion to past "normal" levels.
4/ Includes any net use of nonreserve claims on nonresidents (apart from those implicit in "errors and omissions").
5/ Comprises use of Fund credit and short-term borrowing by monetary authorities from other monetary authorities.
6/ Estimates, based on the debt statistics reported in Table 35, of net disbursements by official creditors (other than monetary institutions). Includes some bank lending guaranteed by official creditors.
7/ Residually calculated. Except for minor discrepancies in coverage, amounts shown reflect almost exclusively net external borrowing from private creditors.
8/ Refers only to long-term lending by banks guaranteed by government of debtor country. Bank lending also accounts for large fractions of unguaranteed long-term flows (included in other long-term flows) and short-term flows.

Note: Presentation shown here is changed from that used in preceding Reports in two major respects. First, because of their large size and consistently negative sign, errors and omissions have been excluded from net external borrowing. They are thus taken to reflect primarily capital outflows. Second, within the thereby upward revised estimates of net external borrowing, primary emphasis is now placed on the distinction by type of creditor (monetary institutions, other official creditors, and "other") instead of by maturity. Other changes of a less general character are noted in the footnotes. Finally, it should be emphasized that, except where otherwise footnoted, estimates shown here are based on national balance of payments statistics, which are not always easily reconcilable with year-to-year changes in debtor-reported debt statistics, mainly because the balance of payments statistics include valuation adjustments and changes in financial assets as well as changes in liabilities.

Table 28. Non-Oil Developing Countries: Current Account Financing, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Current account deficit 2/	30.4	42.9	63.3	88.7	108.5	85.9	52.6	45.0	45.0
Non-debt-creating flows, net	14.1	17.0	23.2	23.7	27.2	25.7	20.9	23.4	25.5
Official transfers	8.2	8.2	11.5	12.5	13.1	12.5	12.0	12.8	13.9
Direct investment flows, net	5.3	7.2	9.4	8.9	13.1	12.6	9.3	9.6	10.6
SDR allocations, valuation adjustments, and gold monetization	0.6	1.6	2.2	2.3	1.0	0.5	-0.4	0.9	1.0
Use of reserves	-11.6	-16.3	-11.7	-4.4	-3.7	4.7	-10.0	-16.3	-14.6
Recorded errors and omissions 3/	-6.1	-5.7	-1.2	-13.1	-15.2	-19.6	-12.5	-7.5	-7.5
Net external borrowing 4/	34.1	47.9	53.1	82.4	100.2	75.1	54.2	45.4	41.6
Reserve-related liabilities	2.8	1.8	-0.7	4.9	9.5	14.6	11.3	1.4	2.7
Liabilities constituting foreign authorities' reserves 5/	1.4	1.6	-1.3	2.0	0.7	0.7	-0.8	-0.2	0.8
Use of Fund credit 6/	-0.2	-0.3	0.2	1.5	6.1	7.0	10.3	6.6	2.0
Arrears	1.6	0.5	0.4	1.4	2.6	6.9	1.8	-5.0	-0.1
Long-term borrowing from official creditors, net 7/	12.7	13.7	16.9	19.4	24.3	23.5	24.5	26.4	21.2
Other net external borrowing 8/	18.6	32.4	36.9	58.1	66.4	37.1	18.4	17.6	17.7
Long term	9.4	21.1	31.2	32.7	47.2	24.1	37.2	33.6	12.6
From banks 9/	5.7	20.9	21.9	20.4	26.8	15.5	34.7	32.6	12.0
Other	3.7	0.2	9.3	12.3	20.4	8.6	2.5	0.9	0.6
Short term	9.2	11.3	5.7	25.4	19.2	13.0	-18.7	-16.0	5.1

1/ For classification of countries, see the introduction to this appendix.

2/ Net total of balances on goods, services and private transfers, as defined in the yearbook issue of the Fund's Balance of Payments Statistics (with sign reversed).

3/ Positioned here on the presumption that estimates reflect primarily unrecorded capital outflows. Estimates and projections for 1983-85 assume a gradual reversion to past "normal" levels.

4/ Includes any net use of nonreserve claims on nonresidents (apart from those implicit in "errors and omissions").

5/ Comprises use of Fund credit and short-term borrowing by monetary authorities from other monetary authorities.

6/ Projected use of Fund credit does not take into account prospective programs (except for Argentina and the Philippines). Detailed projections are provided in EBS/84/171, 8/8/84.

7/ Estimates, based on the debt statistics reported in Table 35, of net disbursements by official creditors (other than monetary institutions). Includes some bank lending guaranteed by official creditors.

8/ Residually calculated. Except for minor discrepancies in coverage, amounts shown reflect almost exclusively net external borrowing from private creditors.

9/ Refers only to long-term lending by banks guaranteed by government of debtor country. Bank lending also accounts for large fractions of unguaranteed long-term flows (included in other long-term flows) and short-term flows.

Note: Presentation shown here is changed from that used in preceding Reports in two major respects. First, because of their large size and consistently negative sign, errors and omissions have been excluded from net external borrowing. They are thus taken to reflect primarily capital outflows. Second, within the thereby upward revised estimates of net external borrowing, primary emphasis is now placed on the distinction by type of creditor (monetary institutions, other official creditors, and "other") instead of by maturity. Other changes of a less general character are noted in the footnotes. Finally, it should be emphasized that, except where otherwise footnoted, estimates shown here are based on national balance of payments statistics that are not always easily reconcilable with year-to-year changes in debtor-reported debt statistics, mainly because the balance of payments statistics include valuation adjustments and changes in financial assets as well as changes in liabilities.

Table 29. Non-Oil Developing Countries--by Analytical Subgroup: Current Account Financing, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Net oil exporters									
Current account deficit	6.4	7.9	8.6	11.0	23.4	17.3	4.4	6.5	7.6
Use of reserves	-2.0	-1.4	-3.5	-3.4	-0.8	3.6	-2.0	-3.7	-4.0
Non-debt-creating flows, net	3.3	3.8	5.8	5.2	7.1	5.3	4.2	4.0	4.3
Errors and omissions	-3.4	-1.2	0.6	-3.4	-8.1	-9.8	-6.3	-3.8	-3.8
Net external borrowing	8.4	6.7	5.7	12.6	25.2	18.3	8.5	10.0	11.1
Long-term borrowing from official creditors	4.4	2.8	2.3	3.5	3.8	3.4	5.1	3.1	4.2
Reserve-related liabilities	1.2	0.9	-0.2	-0.1	-0.2	1.9	-0.3	0.8	1.2
Other borrowing	2.8	3.0	3.6	9.2	21.7	12.9	3.7	6.0	5.8
Major exporters of manufactures									
Current account deficit	8.9	10.8	23.0	32.8	37.8	34.6	15.9	8.6	5.3
Use of reserves	-4.3	-10.0	-3.0	2.4	-2.2	3.2	-4.9	-11.9	-14.6
Non-debt-creating flows, net	4.5	6.3	7.2	6.8	7.0	8.4	6.3	9.2	9.7
Errors and omissions	-2.4	-4.6	-3.7	-11.7	-9.0	-8.0	-5.1	-3.1	-3.1
Net external borrowing	11.1	19.1	22.5	35.3	42.1	31.0	19.5	14.5	13.3
Long-term borrowing from official creditors	2.7	3.4	3.8	3.1	2.9	4.1	6.6	10.0	5.2
Reserve-related liabilities	0.1	-0.4	-1.7	--	1.3	6.3	5.4	-1.6	0.9
Other borrowing	8.2	16.2	20.4	32.2	37.9	20.6	7.5	6.2	7.2
Low-income countries, excluding China and India									
Current account deficit	5.4	8.5	10.0	12.0	12.6	11.8	9.9	10.4	10.7
Use of reserves	-1.0	0.2	-0.2	-0.4	-0.1	0.1	-1.3	0.3	1.2
Non-debt-creating flows, net	2.7	2.9	3.9	4.3	4.4	4.5	4.5	4.5	4.9
Errors and omissions	0.2	0.4	0.4	0.5	0.3	0.6	0.4	0.2	0.2
Net external borrowing	3.4	4.9	5.9	7.6	8.0	6.6	6.3	5.4	4.4
Long-term borrowing from official creditors	2.1	3.2	5.3	4.8	5.7	5.9	4.3	4.5	3.5
Reserve-related liabilities	0.2	0.3	0.1	1.6	1.7	2.1	0.9	0.2	-0.2
Other borrowing	1.2	1.4	0.4	1.2	0.7	-1.5	1.1	0.7	1.1
Other non-oil developing countries									
Current account deficit	12.5	15.3	18.9	27.4	33.1	24.7	23.5	19.2	18.2
Use of reserves	-1.8	-4.0	-3.3	-3.1	0.1	4.0	1.7	1.7	3.5
Non-debt-creating flows, net	3.3	3.6	5.5	6.9	8.0	6.8	5.2	4.9	5.6
Errors and omissions	-1.0	-1.3	0.6	1.6	1.2	-2.8	-1.8	-1.1	-1.1
Net external borrowing	12.0	17.0	16.2	22.0	23.8	16.7	18.3	13.6	10.2
Long-term borrowing from official creditors	3.9	3.4	4.5	6.2	9.8	7.6	7.0	6.4	5.7
Reserve-related liabilities	1.7	1.3	1.1	3.1	5.9	2.7	4.3	1.6	1.0
Other borrowing	6.4	12.3	10.6	12.7	8.2	6.4	7.0	5.7	3.5

1/ For country classification, see the introduction to this appendix. For definitions of stub entries, see Table 27.

Table 30. Non-Oil Developing Countries--by Region: Current Account Financing, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Africa (excluding South Africa)									
Current account deficit	6.6	9.3	9.6	12.6	14.1	13.0	10.2	9.4	9.6
Use of reserves	-0.8	-0.2	-0.3	0.3	0.2	0.6	-0.5	0.2	2.8
Non-debt-creating flows, net	2.8	3.2	3.9	4.7	4.7	4.7	4.1	4.1	4.4
Errors and omissions	-0.1	0.2	-0.1	0.5	0.4	-0.1	-0.1	--	--
Net external borrowing	4.7	6.0	6.1	7.1	8.9	7.8	6.6	5.1	2.4
Long-term borrowing from official creditors	3.0	3.3	4.8	4.2	5.2	6.0	3.1	2.0	2.1
Reserve-related liabilities	0.2	0.8	0.3	1.7	2.6	2.6	1.7	0.6	--
Other borrowing	1.5	1.8	1.1	1.3	1.0	-0.7	1.8	2.5	0.3
Asia									
Current account deficit	1.6	8.3	17.1	25.3	22.7	14.3	11.5	6.2	6.5
Use of reserves	-5.3	-4.4	-4.7	-2.7	-6.6	-6.9	-8.1	-9.2	-8.9
Non-debt-creating flows, net	3.3	4.6	5.1	5.8	7.7	6.4	6.2	7.2	7.8
Errors and omissions	-0.2	-0.1	0.4	-0.6	-1.0	-2.3	-1.5	-0.9	-0.9
Net external borrowing	3.8	8.3	16.2	22.8	22.7	17.1	14.8	9.1	8.5
Long-term borrowing from official creditors	2.3	4.3	5.6	6.3	9.3	7.8	7.2	9.0	7.6
Reserve-related liabilities	-0.3	-0.2	-0.1	1.3	3.2	2.5	3.2	0.6	-0.7
Other borrowing	1.8	4.3	10.6	15.2	10.1	6.8	4.4	-0.5	1.5
Europe									
Current account deficit	9.1	7.2	10.1	12.7	10.4	6.9	5.4	3.1	3.0
Use of reserves	1.1	-0.8	1.2	-0.2	0.2	1.4	-0.1	-0.8	0.2
Non-debt-creating flows, net	0.8	0.8	1.3	1.2	1.2	1.4	1.6	1.7	1.7
Errors and omissions	-1.7	-2.2	-0.3	-0.5	1.8	1.3	0.8	0.5	0.5
Net external borrowing	8.9	9.4	7.9	12.2	7.3	2.8	3.0	1.7	0.7
Long-term borrowing from official creditors	1.3	0.7	-0.2	2.0	2.7	2.2	1.7	2.3	0.7
Reserve-related liabilities	1.8	0.7	-0.5	-0.3	2.3	0.4	0.5	0.3	-0.5
Other borrowing	5.8	8.0	8.6	10.4	2.3	0.3	0.8	-0.9	0.4
Middle East									
Current account deficit	5.1	6.2	8.4	8.1	10.6	9.6	10.2	9.3	10.6
Use of reserves	-1.7	-1.9	-1.0	-1.2	--	-1.7	1.1	1.0	0.2
Non-debt-creating flows, net	4.2	3.7	6.1	5.5	5.6	5.5	4.4	5.3	5.9
Errors and omissions	-0.2	0.1	-0.2	--	0.2	0.9	0.6	0.3	0.3
Net external borrowing	2.9	4.2	3.6	3.8	4.8	4.9	4.1	2.7	4.1
Long-term borrowing from official creditors	3.3	3.6	3.9	2.8	2.6	3.6	2.8	2.2	2.6
Reserve-related liabilities	1.4	1.0	--	-0.2	-0.5	-0.3	-0.1	0.3	0.5
Other borrowing	-1.8	-0.3	-0.2	1.2	2.7	1.6	1.4	0.2	1.1
Western Hemisphere									
Current account deficit	8.5	13.3	21.3	33.1	45.9	38.9	15.5	17.1	15.5
Use of reserves	-5.0	-8.9	-6.8	0.2	1.6	11.1	-1.6	-7.6	-9.0
Non-debt-creating flows, net	2.9	5.0	7.1	6.9	8.2	7.4	4.5	4.9	5.5
Errors and omissions	-3.2	-3.3	-0.4	-10.9	-16.8	-19.0	-12.1	-7.3	-7.3
Net external borrowing	13.9	20.5	21.5	37.0	52.9	39.5	24.8	27.0	26.2
Long-term borrowing from official creditors	2.8	1.7	2.7	4.2	4.5	3.9	9.7	10.9	8.2
Reserve-related liabilities	-0.4	-0.2	-0.1	2.5	1.9	8.6	6.0	-0.4	3.5
Other borrowing	11.5	19.1	18.8	30.3	46.6	27.0	9.1	16.5	14.5

1/ For classification of countries in groups shown here, see the introduction to this appendix. For definitions of stub entries, see Table 27.

Table 31. Non-Oil Developing Countries: Financing of Current Account Deficits and Reserve Accretions, 1977-85 1/

	1977	1978	1979	1980	1981	1982	1983	1984	1985
				(In billions of U.S. dollars)					
Current account deficit	30.4	42.9	63.3	88.7	108.5	85.9	52.6	45.0	45.0
Increase in official reserves	11.6	16.3	11.7	4.4	3.7	-4.7	10.0	16.3	14.6
Total	42.1	59.2	75.0	93.0	112.2	81.2	62.6	61.3	59.6
Financed by									
Non-debt-creating flows, net	14.1	17.0	23.2	23.7	27.2	25.7	20.9	23.4	25.5
Long-term borrowing from official creditors, net	12.7	13.7	16.9	19.4	24.3	23.5	24.5	26.4	21.2
Borrowing from private creditors, net	18.6	32.4	36.9	58.1	66.4	37.1	18.4	17.6	17.7
Reserve-related liabilities	2.8	1.8	-0.7	4.9	9.5	14.6	11.3	1.4	2.7
Errors and omissions	-6.1	-5.7	-1.2	-13.1	-15.2	-19.6	-12.5	-7.5	-7.5
					(In percent)				
Distribution of financing flows									
Non-debt-creating flows, net	33.5	28.8	30.9	25.5	24.3	31.6	33.4	38.2	42.8
Long-term borrowing from official creditors, net	30.1	23.1	22.5	20.9	21.7	28.9	39.1	43.0	35.6
Borrowing from private creditors, net	44.3	54.7	49.3	62.4	59.1	45.7	29.5	28.7	29.7
Reserve-related liabilities	6.6	3.1	-1.0	5.3	8.4	18.0	18.0	2.3	4.5
Errors and omissions	-14.5	-9.6	-1.6	-14.1	-13.5	-24.2	-20.0	-12.3	-12.6

1/ For classification of countries, see the introduction to this appendix. For definitions of stub entries, see Table 27.

Table 32. Non-Oil Developing Countries: Distribution of Financing Flows for Current Account Deficits and Reserve Accretions, 1977-85 1/

(In percent)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
By analytical group									
Net oil exporters									
Non-debt-creating flows, net	40	41	48	36	30	38	65	39	37
Long-term borrowing from official creditors	53	29	19	24	16	25	81	31	36
Borrowing from private creditors, net	34	33	30	64	90	94	58	59	49
Reserve-related liabilities	14	10	-2	-1	-1	14	-5	8	10
Errors and omissions	-40	-13	5	-24	-34	-71	-98	-37	-32
Net oil importers									
Non-debt-creating flows, net	32	26	28	24	23	30	30	38	44
Long-term borrowing from official creditors	24	22	23	20	23	30	34	45	36
Borrowing from private creditors, net	47	59	53	62	51	36	26	23	25
Reserve-related liabilities	5	2	-1	6	11	19	21	1	3
Errors and omissions	-8	-9	-3	-12	-8	-15	-11	-7	-8
Major exporters of manufactures									
Non-debt-creating flows, net	34	30	28	22	18	27	30	45	49
Long-term borrowing from official creditors	21	16	15	10	7	13	32	48	26
Borrowing from private creditors, net	63	78	78	106	95	66	36	30	36
Reserve-related liabilities	1	-2	-6	---	3	20	26	-8	4
Errors and omissions	-18	-22	-14	-38	-23	-26	-25	-15	-15
Low-income countries (excluding China and India)									
Non-debt-creating flows, net	43	36	38	35	35	39	40	45	52
Long-term borrowing from official creditors	33	40	52	39	45	51	38	44	36
Borrowing from private creditors net	19	17	4	9	5	-12	10	7	12
Reserve-related liabilities	3	3	1	13	13	18	8	2	-2
Errors and omissions	3	5	4	4	2	5	3	2	2
Other net oil importers									
Non-debt-creating flows, net	23	19	25	22	24	33	24	28	38
Long-term borrowing from official creditors	27	18	20	20	30	37	32	36	39
Borrowing from private creditors net	44	64	48	42	25	31	32	33	24
Reserve-related liabilities	12	6	5	10	18	13	20	9	7
Errors and omissions	-7	-7	3	5	4	-13	-8	-6	-7
By area									
Africa (excluding South Africa)									
Non-debt-creating flows, net	38	34	39	38	34	37	39	45	66
Long-term borrowing from official creditors	40	35	48	34	38	48	29	22	31
Borrowing from private creditors net	21	20	11	10	7	-6	17	27	5
Reserve-related liabilities	3	9	3	14	18	21	16	7	-1
Errors and omissions	-1	3	-1	4	3	-1	-1	---	-1
Asia									
Non-debt-creating flows, net	48	36	24	21	26	30	32	47	51
Long-term borrowing from official creditors	33	34	26	23	32	37	37	58	50
Borrowing from private creditors net	26	33	49	54	35	32	22	-3	10
Reserve-related liabilities	-4	-2	---	5	11	12	16	4	-5
Errors and omissions	-2	-1	2	-2	-3	-11	-8	-6	-6

Table 32 (concluded). Non-Oil Developing Countries: Distribution of Financing Flows for Current Account Deficits and Reserve Accretions, 1977-85 1/

(In percent)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Europe									
Non-debt-creating flows, net	10	10	14	9	12	25	29	43	60
Long-term borrowing from official creditors	16	9	-2	15	26	40	31	59	26
Borrowing from private creditors net	73	99	96	81	22	5	15	-23	15
Reserve-related liabilities	23	9	-5	-2	23	7	9	8	-18
Errors and omissions	-22	-27	-3	-4	17	23	15	12	17
Middle East									
Non-debt-creating flows, net	61	46	64	59	53	49	49	63	57
Long-term borrowing from official creditors	49	44	41	39	25	32	31	27	25
Borrowing from private creditors net	-26	-4	-2	13	25	14	15	2	11
Reserve-related liabilities	20	12	--	-2	-5	-3	-2	4	4
Errors and omissions	-3	2	-2	--	2	8	6	4	3
Western Hemisphere									
Non-debt-creating flows, net	21	22	25	21	19	26	26	20	23
Long-term borrowing from official creditors	21	8	10	13	10	14	56	44	33
Borrowing from private creditors net	85	86	67	92	105	97	53	67	59
Reserve-related liabilities	-3	-1	--	8	4	31	35	-2	14
Errors and omissions	-24	-15	-1	-33	-38	-68	-71	-29	-30

1/ For classification of countries in groups shown here, see the introduction to this appendix. For definitions of stub entries shown here, see Table 27.

Table 33. Non-Oil Developing Countries: Reserves and Ratios of Reserves to Imports of Goods and Services, 1977-85 1/

	1977	1978	1979	1980	1981	1982	1983	1984	1985
	(In billions of U.S. dollars)								
Official reserve holdings									
All non-oil developing countries	68.6	84.7	94.8	96.1	96.9	92.4	100.2	116.6	131.3
By analytical group									
Net oil exporters	9.3	10.4	13.4	16.8	17.3	13.3	15.2	18.8	22.5
Net oil importers	59.3	74.3	81.4	79.3	79.6	79.1	85.1	97.7	108.8
Major exporters of manufactures	28.1	38.0	39.9	35.7	38.0	35.8	38.8	50.7	63.9
Low-income countries	12.5	13.2	15.4	14.9	14.8	20.3	25.7	28.1	27.7
Excluding India and China	4.5	4.3	4.8	4.5	4.2	3.8	5.1	4.8	3.8
Other net oil importers	18.6	23.1	26.2	28.7	26.7	22.9	20.6	18.9	17.2
By area									
Africa (excluding South Africa)	4.5	4.8	5.4	5.0	4.4	3.8	3.8	3.6	2.6
Asia	27.2	30.4	34.2	35.8	40.5	47.9	55.9	65.1	73.1
Europe	8.6	10.6	9.7	10.3	9.5	7.6	8.6	9.4	9.3
Middle East	7.1	9.0	9.8	10.6	10.5	11.2	9.6	8.6	8.4
Western Hemisphere	20.3	28.9	34.8	33.1	31.0	21.1	21.2	28.7	36.8
Memorandum item									
Major borrowers 2/	27.5	32.8	38.0	34.3	33.0	22.4	24.8	33.1	42.8
	(In percent)								
Ratios of reserves to imports of goods and services 3/									
All non-oil developing countries	26.0	26.6	22.7	17.9	16.5	17.0	19.4	20.8	21.4
By analytical group									
Net oil exporters	23.5	22.0	20.8	19.3	16.4	14.0	18.5	20.3	21.9
Net oil importers	26.4	27.4	23.1	17.6	16.5	17.6	19.6	20.9	21.2
Major exporters of manufactures	24.4	27.2	21.3	14.9	14.4	14.5	16.5	19.8	22.7
Low-income countries	36.2	28.7	25.7	19.3	19.2	28.2	35.1	35.2	31.6
Excluding India and China	23.0	17.3	16.5	12.6	12.0	11.2	15.3	13.6	10.0
Other net oil importers	25.0	27.1	24.8	21.5	18.8	17.5	16.3	14.4	12.2
By area									
Africa (excluding South Africa)	15.3	14.0	13.3	10.2	9.1	8.6	9.3	8.4	5.7
Asia	30.4	26.1	21.7	17.7	18.5	22.5	25.3	26.8	27.1
Europe	18.5	20.9	15.0	13.2	11.3	10.1	12.1	12.7	11.6
Middle East	29.7	33.0	27.8	23.9	21.5	23.9	21.1	17.9	16.0
Western Hemisphere	32.2	38.6	34.2	24.2	19.5	15.0	18.2	22.4	26.2
Memorandum item									
Major borrowers 2/	35.2	33.8	30.6	21.2	17.3	12.5	16.6	19.8	23.3

1/ For this table, official holdings of gold are valued at SDR 35 an ounce. This convention results in a significant underestimate of the reserves of those groups of countries that have substantial holdings of gold. For classification of countries in groups shown here, see the introduction to this appendix.

2/ Includes four oil exporting countries: Algeria, Indonesia, Nigeria, and Venezuela.

3/ Ratio of year-end reserves to imports of goods and services during the year indicated.

Table 34. Developing Countries: Use of Fund Credit, 1977-84 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984
Developing countries	-0.2	-0.3	0.2	1.5	6.1	7.0	11.7	6.6
Of which, major borrowers	0.1	-0.7	-0.2	0.7	0.8	0.7	5.0	4.4
Non-oil developing countries	-0.2	-0.3	0.2	1.5	6.1	7.0	10.3	6.6
By analytical group								
Net oil exporters	0.1	--	-0.1	-0.2	0.1	0.5	1.1	1.4
Net oil importers	-0.3	-0.3	0.3	1.7	6.0	6.5	9.2	5.3
Major exporters of manufactures	-0.1	-0.6	-0.4	0.5	1.1	2.0	4.1	3.4
Low-income countries	-0.3	-0.2	0.2	0.6	2.1	2.7	1.9	0.6
Excluding India and China	0.1	--	0.2	0.3	1.2	1.1	0.9	0.1
Other net oil importers 2/	--	0.5	0.5	0.6	2.9	1.8	3.2	1.3
By area								
Africa (excl. South Africa)	0.1	0.3	0.4	0.5	1.7	1.2	1.4	0.8
Asia	-0.3	-0.2	--	1.0	3.1	2.2	1.9	0.6
Europe	--	0.1	0.1	0.6	1.2	1.2	1.4	0.8
Middle East	0.1	0.1	-0.1	-0.3	-0.2	--	--	--
Western Hemisphere	-0.1	-0.5	0.1	-0.2	0.3	1.5	5.6	4.4
Memorandum item								
Drawings outstanding at end of year 2/								
Developing countries	8.0	8.0	8.3	9.5	14.9	21.2	31.3	37.9
Non-oil developing countries	8.0	8.0	8.3	9.5	14.9	21.2	30.8	37.4

1/ For classification of countries in groups shown here, see the introduction to this appendix.

2/ Year-to-year changes in drawings do not necessarily match corresponding use of Fund credit estimates because of valuation adjustments.

Table 35. Developing Countries: External Debt Outstanding, 1977-85 1/

(In billions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Developing countries 2/	335.4	405.0	478.6	567.6	657.7	746.6	786.5	830.1	865.9
Short-term debt	57.3	70.4	81.8	113.2	136.0	150.2	130.7	98.9	104.2
Long-term debt	278.1	334.6	396.8	454.3	521.6	596.4	655.8	731.3	761.7
By type of creditor									
Official creditors	112.8	132.7	150.8	172.6	191.8	214.0	239.7	269.2	291.6
Governments	78.8	91.6	102.3	114.5	124.0	136.0	151.8	170.1	181.5
International institutions	34.0	41.1	48.5	58.1	67.7	78.0	87.9	99.1	110.1
Private creditors	165.3	201.9	246.0	281.7	329.9	382.4	416.0	462.1	470.1
Unguaranteed debt	57.0	58.6	69.3	82.4	102.6	118.1	119.0	118.6	118.6
Guaranteed debt	108.3	143.3	176.7	199.3	227.3	264.2	297.0	343.5	351.5
Financial institutions	75.4	102.8	133.6	154.9	180.3	211.8	244.6	290.4	297.8
Other private creditors	32.9	40.5	43.2	44.4	47.0	52.4	52.5	53.1	53.7
Of which,									
Major borrowers	127.2	155.9	190.9	233.7	286.1	337.7	350.1	370.2	384.5
Short-term debt	24.5	31.7	42.1	66.0	81.9	93.3	72.8	46.9	50.3
Long-term debt	102.7	124.2	148.9	167.7	204.2	244.4	277.3	323.3	334.3
From official creditors	22.6	26.3	28.7	31.7	35.7	40.0	47.1	58.4	66.1
From private creditors	80.1	97.9	120.2	136.1	168.5	204.4	230.1	264.9	268.2
Non-oil developing countries	288.0	342.9	403.6	484.6	572.4	649.7	685.5	728.9	764.6
Short-term debt	48.3	58.0	64.7	90.7	111.2	129.3	110.6	94.6	98.9
Long-term debt	239.7	285.0	338.9	393.9	461.2	520.4	574.9	634.2	665.8
By type of creditor									
Official creditors	99.4	118.0	134.9	155.8	174.8	195.4	219.9	246.3	267.5
Governments	68.0	79.9	89.6	101.1	110.8	122.1	137.2	153.4	164.5
International institutions	31.4	38.1	45.3	54.8	63.9	73.3	82.7	92.8	102.9
Private creditors	140.3	167.0	203.9	238.0	286.4	325.0	355.0	388.0	398.3
Unguaranteed debt	52.2	53.7	63.9	76.5	96.0	107.0	108.1	107.7	107.7
Guaranteed debt	88.1	113.3	140.0	161.5	190.4	217.9	246.9	280.3	290.6
Financial institutions	61.8	81.7	106.8	126.8	152.8	176.1	204.1	236.2	246.0
Other private creditors	26.3	31.6	33.2	34.6	37.6	41.9	42.8	44.1	44.6
Long-term and short-term debt by analytical group									
Net oil exporters	60.1	72.8	84.8	102.6	133.3	154.2	164.2	173.6	181.2
Net oil importers	227.9	270.1	318.8	382.0	439.1	495.5	521.3	555.2	583.4
Major exporters of manufactures	112.0	132.7	157.2	191.4	224.2	259.3	271.1	287.3	300.1
Low-income countries	49.0	55.1	62.8	71.7	76.8	82.8	88.8	96.6	104.0
Excluding India and China	28.4	32.6	38.1	44.5	50.5	55.2	59.6	64.1	67.7
Other net oil importers	66.9	82.3	98.7	118.9	138.1	153.3	161.4	171.3	179.3
Long-term and short-term debt by area									
Africa (excluding South Africa)	31.0	37.1	45.1	50.8	56.3	62.7	66.2	69.3	71.8
Asia	69.8	79.5	93.6	115.8	133.9	154.0	167.7	185.5	200.0
Europe	37.9	47.0	54.7	66.3	70.3	72.1	75.0	77.6	79.5
Middle East	21.9	30.8	36.2	41.5	46.2	50.8	55.6	58.7	62.9
Western Hemisphere	109.5	132.5	158.1	193.4	246.7	287.5	299.1	315.3	327.6

1/ Does not include debt owed to the Fund (shown in Table 34). For classification of countries in groups shown here, see the introduction to this appendix.

2/ Excludes, for purposes of this table, eight oil exporting countries: the Islamic Republic of Iran, Iraq, Kuwait, the Libyan Arab Jamahiriya, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Table 36. Developing Countries: Long-Term and Short-Term External Debt Relative to Exports and to GDP, 1977-85 1/

(In percent)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Ratio of external debt to exports of goods and services 2/									
Developing countries 3/	127.3	133.9	120.3	110.2	121.4	146.9	155.4	147.4	139.6
Of which, major borrowers	185.8	199.7	188.2	173.6	184.8	241.9	254.5	238.6	222.0
Non-oil developing countries	129.5	131.0	119.5	113.1	125.0	148.3	154.4	147.4	139.8
By analytical group									
Net oil exporters	181.4	185.9	151.8	135.0	163.5	198.4	210.8	201.5	190.8
Net oil importers	120.4	121.3	113.1	108.4	116.7	137.5	142.4	136.0	129.1
Major exporters of manufactures	109.9	108.0	100.1	96.3	103.1	126.8	127.6	119.1	111.3
Low-income countries	166.0	164.7	146.3	134.8	136.2	148.1	154.8	155.8	156.3
Excluding India and China	220.1	228.0	222.0	220.6	265.2	307.1	311.6	311.3	300.7
Other net oil importers	115.7	124.1	120.6	118.5	134.8	153.4	167.9	163.1	154.9
By region									
Africa (excluding South Africa)	136.4	151.6	149.2	141.2	170.9	204.0	220.7	212.0	201.4
Asia	81.9	76.1	68.9	68.1	70.4	80.6	83.1	81.0	78.4
Europe	115.7	123.7	115.2	116.1	109.5	119.5	127.2	119.9	113.1
Middle East	138.9	162.2	149.4	124.4	133.3	149.8	173.2	165.5	163.4
Western Hemisphere	203.9	217.8	198.8	187.9	220.3	283.2	300.0	285.9	264.4
Ratio of external debt to GDP 2/									
Developing countries 3/	25.2	26.1	25.9	25.9	28.8	33.1	35.5	35.8	34.3
Of which, major borrowers	29.7	30.6	32.5	32.7	35.3	42.5	47.5	47.8	46.5
Non-oil developing countries	24.4	24.7	24.4	25.0	28.4	32.8	34.9	35.4	34.3
By analytical group									
Net oil exporters	38.9	41.4	39.7	36.3	38.7	50.1	60.4	57.7	56.1
Net oil importers	22.2	22.3	22.2	23.1	26.3	29.6	30.9	31.6	30.6
Major exporters of manufactures	26.2	26.3	26.7	28.2	31.6	35.8	37.4	37.8	36.6
Low-income countries	14.1	13.2	12.9	12.7	13.9	15.1	15.3	15.7	15.3
Excluding India and China	35.4	34.0	35.1	35.3	42.2	45.8	47.6	48.4	45.0
Other net oil importers	26.5	28.5	27.0	29.1	33.8	38.0	42.0	45.0	44.3
By region									
Africa (excluding South Africa)	36.0	36.7	37.9	35.7	43.4	49.7	54.6	57.7	54.0
Asia	15.9	15.0	14.9	16.0	18.2	20.6	21.3	21.8	21.3
Europe	21.4	23.1	20.8	24.6	27.9	28.9	34.4	37.3	36.7
Middle East	45.0	55.3	63.4	59.1	59.4	58.6	56.4	55.3	52.2
Western Hemisphere	28.0	29.4	30.1	29.9	33.7	41.1	45.9	45.6	45.0

1/ Does not include debt owed to the Fund. For classification of countries in groups shown here, see the introduction to this appendix.
2/ Ratio of year-end debt to exports or GDP for year indicated.
3/ Excludes, for purposes of this table, eight oil exporting countries: the Islamic Republic of Iran, Iraq, Kuwait, the Libyan Arab Jamahiriya, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Table 37. Non-Oil Developing Countries: Distribution of Debt by Class of Creditor, End of Year, 1977-85 1/

(In percent)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
All non-oil developing countries									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	16.8	16.9	16.0	18.7	19.4	19.9	16.1	13.0	12.9
Long-term debt	83.2	83.1	84.0	81.3	80.6	80.1	83.9	87.0	87.1
To official creditors	34.5	34.4	33.4	32.2	30.5	30.1	32.1	33.8	35.0
To governments	23.6	23.3	22.2	20.9	19.4	18.8	20.0	21.0	21.5
To international institutions	10.9	11.1	11.2	11.3	11.2	11.3	12.1	12.7	13.5
To private creditors	48.7	48.7	50.5	49.1	50.0	50.0	51.8	53.2	52.1
To financial institutions	21.5	23.8	26.5	26.2	26.7	27.1	29.8	32.4	32.2
To other private creditors	27.3	24.9	24.1	22.9	23.4	22.9	22.0	20.8	19.9
By analytical group									
Net oil exporters									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	10.5	16.4	16.4	21.4	25.6	24.6	15.7	13.9	15.1
Long-term debt	89.5	83.6	83.6	78.6	74.4	75.4	84.3	86.1	84.9
To official creditors	29.9	30.3	28.8	27.2	23.2	21.9	23.7	24.2	25.5
To private financial institutions	34.5	34.9	35.9	33.6	32.8	32.4	40.9	43.7	41.7
To other private creditors	25.1	18.3	18.8	17.8	18.4	21.1	19.8	18.2	17.7
Major exporters of manufactures									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	21.1	17.6	17.3	22.1	21.8	23.6	21.1	14.7	14.0
Long-term debt	78.9	82.4	82.7	77.9	78.2	76.4	78.9	85.3	86.0
To official creditors	19.1	19.2	18.6	16.7	15.2	14.4	16.2	18.8	19.7
To private financial institutions	19.8	23.0	25.4	25.4	27.7	29.1	30.9	36.4	37.5
To other private creditors	40.0	40.1	38.7	35.8	35.4	32.8	31.8	30.1	28.8
Low-income countries									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	4.1	3.4	5.8	5.5	3.8	2.7	2.1	1.9	1.7
Long-term debt	95.9	96.6	94.2	94.5	96.2	97.3	97.9	98.1	98.3
To official creditors	76.0	76.4	75.9	76.6	79.3	82.2	83.2	83.5	83.5
To private financial institutions	9.5	11.3	12.0	12.4	10.9	9.7	9.9	10.0	10.4
To other private creditors	10.4	8.9	6.3	5.4	6.0	5.4	4.8	4.6	4.4
Other net oil importers									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	24.4	25.3	20.2	18.9	18.3	18.1	16.0	15.5	15.5
Long-term debt	75.6	74.7	79.8	81.1	81.7	81.9	84.0	84.5	84.5
To official creditors	34.1	34.4	34.0	34.4	35.5	36.6	39.2	40.6	42.0
To private financial institutions	21.3	23.6	29.3	29.4	27.9	27.7	27.6	26.8	26.2
To other private creditors	20.3	16.8	16.5	17.3	18.3	17.5	17.3	17.0	16.3

Table 37 (concluded). Non-Oil Developing Countries: Distribution of Debt by Class of Creditor, End of Year, 1977-85 1/

(In percent)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
By area									
Africa (excluding South Africa)									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	2.4	2.0	1.9	1.8	2.0	3.6	3.4	3.2	3.1
Long-term debt	97.6	98.0	98.1	98.2	98.0	96.4	96.6	96.8	96.9
To official creditors	53.0	54.4	56.6	59.0	60.2	62.0	63.4	63.4	64.0
To private financial institutions	23.9	26.6	27.7	26.7	25.6	24.3	23.5	23.7	23.6
To other private creditors	20.7	17.0	13.8	12.6	12.3	10.1	9.7	9.6	9.2
Asia									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	15.6	15.5	18.4	20.8	19.7	19.4	17.9	16.1	15.0
Long-term debt	84.4	84.5	81.6	79.2	80.3	80.6	82.1	83.9	85.0
To official creditors	53.9	54.1	50.4	46.5	45.8	44.3	45.9	45.5	46.0
To private financial institutions	11.5	14.3	17.1	18.1	19.3	20.8	22.1	23.4	24.7
To other private creditors	19.0	16.0	14.1	14.6	15.2	15.5	15.1	15.0	14.2
Europe									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	29.3	30.2	21.6	20.3	19.2	16.5	15.0	14.1	14.6
Long-term debt	70.7	69.8	78.4	79.7	80.8	83.5	85.0	85.9	85.4
To official creditors	26.8	27.0	24.6	24.9	25.8	27.3	28.5	30.5	30.7
To private financial institutions	19.9	20.9	27.7	28.4	30.4	30.5	32.0	32.2	32.1
To other private creditors	24.0	22.0	26.1	26.4	24.6	25.7	24.5	23.2	22.5
Middle East									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	7.7	19.0	18.5	20.7	21.6	21.1	21.0	20.6	20.9
Long-term debt	92.3	81.0	81.5	79.3	78.4	78.9	79.0	79.4	79.1
To official creditors	64.1	58.1	60.1	58.7	57.1	58.0	58.1	58.7	58.9
To private financial institutions	9.3	8.0	6.9	6.2	6.1	5.9	5.6	5.6	5.6
To other private creditors	19.0	14.9	14.6	14.4	15.3	15.1	15.2	15.1	14.6
Western Hemisphere									
Total outstanding debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term debt	13.9	14.3	14.2	19.3	20.7	21.9	14.7	8.8	9.2
Long-term debt	86.1	85.8	85.8	80.7	79.3	78.1	85.3	91.2	90.8
To official creditors	19.4	18.3	17.1	16.1	14.2	13.6	16.3	18.9	20.7
To private financial institutions	30.2	33.4	35.7	34.5	34.2	34.4	40.2	45.5	44.4
To other private creditors	36.5	34.0	33.0	30.1	31.0	30.1	28.8	26.7	25.6

1/ Does not include debt owed to the Fund. For classification of countries in groups shown here, see the introduction to this appendix.

Table 38. Developing Countries: Debt Service Payments on Short-Term and Long-Term External Debt, 1977-85 1/

(Values in billions of U.S. dollars; ratios in percent)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Developing countries 2/									
Value of debt service payments	41.0	59.2	77.1	92.5	112.3	126.7	113.9	123.1	144.2
Interest payments	15.7	22.4	33.0	46.8	61.4	72.1	65.5	71.9	80.9
Amortization 3/	25.2	36.8	44.1	45.7	50.9	54.6	48.4	51.2	63.3
Debt service ratio 4/	15.6	19.6	19.4	18.0	20.7	24.9	22.5	21.9	23.3
Interest payments ratio	6.0	7.4	8.3	9.1	11.3	14.2	12.9	12.8	13.1
Amortization ratio 3/	9.6	12.2	11.1	8.9	9.4	10.7	9.6	9.1	10.2
Of which, major borrowers									
Value of debt service payments	17.0	26.3	35.7	40.0	52.0	61.6	53.3	55.1	65.7
Interest payments	6.7	10.2	15.6	22.9	30.6	38.7	34.9	38.2	42.0
Amortization 3/	10.3	16.0	20.1	17.1	21.4	22.9	18.5	16.9	23.7
Debt service ratio 4/	24.8	33.7	35.2	19.7	33.6	44.1	38.8	35.5	37.9
Interest payments ratio	9.9	13.1	15.4	17.0	19.7	27.7	25.3	24.6	24.2
Amortization ratio 3/	15.0	20.6	19.8	12.7	13.8	16.4	13.4	10.9	13.7
All non-oil developing countries									
Value of debt service payments	35.8	51.8	66.6	77.4	98.1	109.7	98.9	107.2	124.2
Interest payments	13.7	19.2	27.5	39.4	55.2	63.9	59.0	64.7	71.7
Amortization 3/	22.1	32.6	39.0	38.1	42.9	45.8	39.9	42.5	52.5
Debt service ratio 4/	16.1	19.8	19.7	18.1	21.4	25.0	22.3	21.7	22.7
Interest payments ratio	6.2	7.3	8.2	9.2	12.1	14.6	13.3	13.1	13.1
Amortization ratio 3/	9.9	12.5	11.6	8.9	9.4	10.5	9.0	8.6	9.6
By analytical group									
Net oil exporters									
Debt service ratio 4/	26.4	32.3	32.9	23.4	28.5	34.9	34.5	34.2	36.3
Interest payments ratio	9.0	11.2	12.1	12.3	16.6	21.7	19.7	20.4	20.0
Amortization ratio 3/	17.4	21.2	20.8	11.1	11.9	13.2	14.8	13.8	16.3
Major exporters of manufactures									
Debt service ratio 4/	15.9	19.2	19.1	18.7	21.9	25.6	20.5	18.8	18.7
Interest payments ratio	6.2	7.4	8.3	9.6	12.5	15.1	13.3	12.3	12.0
Amortization ratio 3/	9.7	11.8	10.8	9.1	9.4	10.6	7.1	6.5	6.7
Low-income countries									
Debt service ratio 4/	12.2	12.0	10.3	10.5	12.5	14.2	10.9	12.0	13.1
Interest payments ratio	4.5	4.7	4.3	4.5	5.0	5.5	4.8	5.4	6.2
Amortization ratio 3/	7.7	7.2	6.1	6.1	7.4	8.7	6.1	6.6	6.9
Low-income countries (excluding India and China)									
Debt service ratio 4/	14.5	14.3	13.3	14.9	18.2	20.2	18.1	22.2	23.7
Interest payments ratio	5.7	6.2	5.9	6.4	7.9	9.7	8.5	10.2	11.4
Amortization ratio 3/	8.8	8.1	7.4	8.5	10.3	10.5	9.6	11.9	12.3
Other net oil importers									
Debt service ratio 4/	12.5	17.4	16.8	16.9	19.7	23.3	23.2	23.6	26.4
Interest payments ratio	5.3	6.2	7.1	8.6	11.4	13.1	13.1	13.4	14.0
Amortization ratio 3/	7.3	11.1	9.6	8.3	8.3	9.1	10.1	10.3	12.4

Table 38 (concluded). Developing Countries: Debt Service Payments on Short-Term and Long-Term External Debt, 1977-85 1/

(Values in billions of U.S. dollars; ratios in percent)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
By region									
Africa (excluding South Africa)									
Debt service ratio 4/	11.9	15.4	15.5	16.5	18.7	22.2	22.6	24.9	27.0
Interest payments ratio	5.7	6.2	6.7	7.5	8.6	10.5	10.7	11.3	12.0
Amortization ratio 3/	6.2	9.3	8.7	9.1	10.1	11.7	11.9	13.6	14.9
Asia									
Debt service ratio 4/	7.6	9.6	8.3	8.2	9.5	11.2	10.0	9.9	10.1
Interest payments ratio	2.9	3.2	3.3	4.0	5.1	5.7	5.1	5.1	5.5
Amortization ratio 3/	4.7	6.4	5.0	4.1	4.5	5.6	4.9	4.8	4.5
Europe									
Debt service ratio 4/	14.9	16.8	18.9	18.8	20.1	22.1	21.7	21.4	23.3
Interest payments ratio	5.1	6.2	6.8	8.6	11.2	12.1	10.7	10.0	10.5
Amortization ratio 3/	9.7	10.6	12.1	10.3	9.0	10.0	11.0	11.4	12.8
Middle East									
Debt service ratio 4/	14.1	14.5	16.9	16.9	20.1	22.9	22.9	23.1	25.5
Interest payments ratio	5.9	7.4	9.0	9.6	11.9	14.3	13.9	13.5	14.4
Amortization ratio 3/	8.1	7.1	7.9	7.3	8.2	8.6	9.0	9.7	11.1
Western Hemisphere									
Debt service ratio 4/	32.0	41.7	42.2	35.7	44.6	55.1	47.9	44.6	46.7
Interest payments ratio	11.7	15.0	17.7	19.4	26.0	34.6	32.5	32.1	30.2
Amortization ratio 3/	20.2	26.7	24.5	16.3	18.6	20.6	15.4	12.5	16.5

1/ For classification of countries in groups shown here, see the introduction to this appendix.
2/ Excludes, for purposes of this table, eight oil exporting countries: the Islamic Republic of Iran, Iraq, Kuwait, the Libyan Arab Jamahiriya, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.
3/ On long-term debt only. Estimates for the period up to 1983 reflect actual amortization payments. The estimates for 1984 and 1985 reflect scheduled payments, modified to take account of actual or pending rescheduling agreements.
4/ Payments (interest, amortization, or both) as percentages of exports of goods and services.

Table 39. Environmental Assumptions Used in Medium-Term Scenario for Developing Countries

Variable	Assumed Magnitudes, 1985-90: March 1984 Paper 1/	Assumed Magnitudes, 1985-90: August 1984 Paper
1. Average annual growth of GDP for 14 major industrial countries.	3 1/4 percent.	No change in assumption.
2. Annual increase in U.S. dollar prices of manufactured goods imported by developing countries.	4 percent.	4.5 percent.
3. Price of petroleum.	Constant in U.S. dollar terms in 1984-85 and 4 percent increase, 1986-90.	Constant in U.S. dollar terms in 1984-85 and 4.5 percent increase in 1986-90.
4. Annual increase in U.S. dollar prices of non-oil primary commodities exported by developing countries.	4 percent, 1986-90.	4.5 percent, 1986-90.
5. Interest rates on commercial credits to developing countries.	LIBOR of 10 percent, 1984-8; 8 percent, 1986-87; and 7 percent, 1988-90; with no change in spread throughout scenario period.	LIBOR of 11 1/2 percent, 1984-85; 9 percent, 1986-87; and 8 percent, 1988-90; with 1/2 percent lower spread, 1986-90.
6. Degree of trade restrictions adopted in markets in industrial countries vis-à-vis exports of developing countries.	No change, compared with 1984.	No change in assumption.
7. Scale of private lending to developing countries.	No more than 7 percent per annum, 1986-90.	No change in assumption.
8. Levels of official development assistance (ODA) and foreign direct investment (FDI) from industrial countries.	ODA: constant at its real level in 1984. FDI: increase at average rate of 9 1/2 percent per annum	No change in assumption.
9. Real exchange rates among the major currencies.	No change from rates estimated for 1984.	No change in assumption.

1/ See Supplementary Note 7 in 1984 World Economic Outlook.

Table 40. Developing Countries: Medium-Term Projections for Foreign Trade 1/

	Export Volume	Terms of Trade	Real GDP	Import Volume
Non-oil developing countries				
1968-72 2/	8.3	-0.5	5.7	7.2
1973-80 2/	6.7	-1.0	5.1	6.7
1982	1.7	-3.2	1.7	-8.2
1983	5.8	0.7	1.8	-1.9
1984	7.3	1.1	3.3	5.8
1985	5.7	0.5	4.2	6.0
1986-87	5.3	0.0	4.7	6.4
1988-90	5.2	0.0	4.6	6.2
Major borrowing countries 3/				
1968-72 2/	5.8	3.2	7.4	10.5
1973-80 2/	4.8	7.9	6.3	9.8
1982	-3.3	-1.9	1.8	-9.0
1983	7.4	-1.5	-1.1	-14.5
1984	7.7	3.6	1.7	9.3
1985	4.9	0.3	3.6	7.1
1986-87	6.0	0.0	5.0	7.0
1988-90	5.0	0.0	5.0	6.5

1/ China is excluded from the averages for the periods 1968-72 and 1973-80.
2/ Compound annual rates of change.
3/ Includes two oil exporting countries.

Table 41. Developing Countries: Medium-Term Projections Resulting from Alternative Scenarios
(In percent)

Change in assumption, compared with the corresponding assumption in the base scenario	As Percentages of Exports of Goods and Services: Current Account 1987	Current Account 1990	Total External Debt 1987	Total External Debt 1990	Debt Service 1987	Debt Service 1990	Average Growth Per Annum: Import Volume 1986-90	Real GDP 1986-90 1/
Base Scenario								
Non-oil developing countries	-8.6	-8.9	126.4	112.0	24.1	20.7	6.3	4.6
Major borrowers	-3.2	-1.8	188.1	148.7	41.0	33.0	6.7	5.0
Alternative scenarios								
1. 1 percent lower growth in the industrial countries for each year								
Non-oil developing countries								
No change in imports 2/	-11.8	-18.0	134.1	141.4	25.3	25.6	6.3	4.3
No change in financing 2/	-8.8	- 9.5	129.9	119.9	24.8	22.6	4.4	3.5
Major borrowers								
No change in imports 2/	-6.6	-11.2	198.4	184.1	42.9	39.8	6.7	4.4
No change in financing 2/	-3.3	-1.9	193.8	160.3	42.2	35.6	4.0	3.6
2. No fall in interest rates from 1984-85 average								
Non-oil developing countries								
No change in imports 2/	-10.8	-12.4	130.5	124.0	26.7	25.4	6.3	4.6
No change in financing 2/	-8.6	- 8.9	126.4	112.0	24.1	20.7	5.6	4.4
Major borrowers								
No change in imports 2/	-7.6	-8.3	196.2	172.0	46.2	42.3	6.7	5.0
No change in financing 2/	-3.2	-1.8	188.1	148.7	41.0	33.0	5.2	4.4
3. Weak policies scenario 3/								
Non-oil developing countries	-11.7	-17.8	132.4	137.6	25.0	24.8	7.3	4.9
Major borrowers	-6.0	-9.9	194.8	174.7	42.2	37.9	7.7	5.3

1/ Changes in the rate of growth of real GDP, compared to that in the base scenario, reflect both the adjustment in domestic absorption normally associated with a change in imports and the direct effect of a change in the volume of exports on output. When the effects of changes in both imports and exports on GDP are present, they are treated as additive. This calculation does not take into account the influence on GDP of second-round (e.g., multiplier) effects, policy reactions, or other indirect repercussions of the initial effects.

2/ No change in imports indicates that imports remain at their base scenario level and that the current account (measured in US$ billion) either increases or decreases to accommodate the change in current account items other than imports arising from the specified change in assumption. No change in financing indicates that the current account is maintained at its base scenario level and that imports increase or decrease accordingly. Changes in the ratios to exports of the current account, debt and debt service in both lines reflect, inter alia, changes in exports.

3/ Under this scenario, the growth of imports is one percentage point higher, and that of exports is one percentage point lower, than under the base scenario for each scenario year.