

OECD  
ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ICELAND

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

NOVEMBER 1975

## BASIC STATISTICS OF ICELAND

### THE LAND

Area (1 000 sq. km)	103	Unproductive area (1 000 sq. km)	82
Productive area (1 000 sq. km)	21	of which:	
of which:		Glaciers	12
Cultivated area	1	Other area devoid of vegetation	72
Rough grazings	20		

### THE PEOPLE

Population, December 1st, 1974	216 628	Occupational distribution 1973	
Net increase 1970-1974.		(per cent):	
annual average (per cent)	1.3	Farming	10.7
		Fisheries	5.4
		Fish processing	7.4
		Other manufacturing	17.5
		Construction	12.0
		Commerce	13.9
		Transport and communication	8.6
		Other services	24.5
			100.0

### GOVERNMENT AND PARLIAMENT

Government, from 1974, number of ministers:		Parliament, from 1974, number of seats:	
Independence Party	4	Independence Party (Lib. Cons.)	25
Progressive Party	4	Progressive Party (Agrarians)	17
		Labour Alliance (Socialists, Communists)	11
		Social Democrats	5
		Union of Liberals and Leftists	2
			60
Last general election: 1974		Next general election: 1978	

### PRODUCTION AND CAPITAL FORMATION

Gross National Product in 1974:		Gross Fixed Capital Formation	
Millions of J. Kr.	133 040	in 1974:	
Per head, US \$	6 170	Millions of J. Kr.	43 230
		Per cent of GNP	32

### FOREIGN TRADE

Exports of goods and services in 1974, per cent of GNP	36	Imports of goods and services in 1974, per cent of GNP	48
Main exports 1974, per cent of exports of goods:		Imports 1974, by use (per cent):	
Fish and fish products	75	Investment goods	37
Manufacturing products	20	Production goods	33
Agricultural products	3	Consumption goods	30
			100
		of which:	
		Ships and aircraft	11
		Fuels	12

### THE CURRENCY

Monetary unit: Krona		Currency units per US \$, averages of daily figures:	
		Year 1974	100.04
		October 1975	165.25

NOTE An international comparison of certain basic statistics is given in an annex table.

OECD ECONOMIC SURVEYS

ARCHIVES -  
RÉFÉRENCES  
DOCUMENT PRÊTÉ -  
RETOUR BUREAU 610

# ICELAND

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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

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

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

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



The annual review of Iceland by the OECD Economic and Development Review Committee took place on 20th October, 1975.

The present Survey has been updated subsequently.

© Organisation for Economic Co-operation and Development, 1975.  
Queries concerning permissions or translation rights should be addressed to :

Director of Information, OECD  
2, rue André-Pascal. 75775 PARIS CEDEX 16, France

## CONTENTS

<b>Introduction</b>	<b>5</b>
<b>I Recent trends</b>	<b>6</b>
Demand and output	6
Inflation	10
Deteriorating external balance	12
<b>II Economic policy</b>	<b>17</b>
Fiscal policy	18
Monetary policy	20
Exchange rate adjustments	24
Price and incomes policies	26
<b>III Prospects and policy considerations</b>	<b>28</b>
Short-term prospects	28
Policy considerations	29
<i>Annex</i> <b>Chronology of main economic policy events</b>	<b>33</b>

## TABLES

### TEXT:

1 Output and expenditure	7
2 Gross fixed investment	8
3 Gross domestic product by industrial origin	9
4 Prices and incomes	10
5 Foreign trade by commodity groups	13
6 Merchandise imports	13
7 Balance of payments	16
8 Official reserves	17
9 Central government revenue and expenditure	18
10 Functional breakdown of central government expenditures	19
11 Accounts of the banking system	22
12 Growth of credit from financial institutions	23

### STATISTICAL ANNEX:

A Supply and use of resources	44
B Supply and use of resources, 1969 prices	45
C Production and employment	46
D Gross fixed asset formation	47
E Gross fixed asset formation, 1969 prices	48
F Balance of payments	49
G Central government income and expenditure	50
H Fish catch, wages and prices	51

---

1	Foreign trade, total and by area	52
J	Foreign trade by commodity group	53
K	Money and credit	54

#### DIAGRAMS

1	Prices and wages	11
2	Exports, imports and trade deficit	14
3	Foreign trade volumes and prices	15
4	Money and credit expansion	21
5	The effective krona rate and selected spot rates	25

## INTRODUCTION

The strong boom which had developed in the Icelandic economy in 1973 was sustained until late 1974, accompanied by accelerating price inflation to an annual rate in excess of 40 per cent. In the current year demand and activity have substantially weakened, but inflationary forces have strengthened. At the same time, the current external deficit, while falling, has remained large. These adverse trends owe much to external developments beyond the control of the Icelandic authorities. The rise in commodity prices until around mid-1974, the quadrupling of oil prices in late 1973 and the sharp rise in fish export prices lasting until early 1974 combined to help push up the inflation rate to well above those of other Member countries. The turnaround in fish export prices and sharply rising import prices entailed a severe deterioration in the terms of trade. From the peak at the beginning of 1974 to mid-1975 the terms of trade fell by 33 per cent, and the effect on the external account was compounded by falling export volumes in response to weakening foreign markets. Despite the importance of external factors, however, domestic developments contributed in no small measure to exacerbating the problems of external and internal imbalance. Shortcomings in monetary management and the inflationary impulses deriving from the institutional arrangements designed to maintain earnings in the predominant fishing sector seem to have been particularly important.

The most worrying feature of the current situation is the rapid inflation which is running at an annual rate of about 50 per cent. Last year's Survey questioned whether existing institutional arrangements would be able to cope with such a high inflation rate and the serious social and economic problems which could arise as a consequence. Developments over the past year indicate that the adjustment process has not had the success achieved in earlier periods of disequilibrium when the inflation rate was substantially lower. A series of important policy measures aimed at combatting inflation have been taken over the last eighteen months, the latest in June and July this year. These packages have included the extension of restrictive limits on the growth of credit, the suspension of wage-indexation for six months, increased indirect taxes and a reduction of public expenditure. But, it is questionable whether the successful implementation of the measures by themselves will be sufficient to resolve the difficulties facing the authorities. In this context, the outcome of the round of wage negotiations due to take place at the end of this year will be crucial.

Part I of this Survey discusses recent trends in demand and activity, inflation and the balance of payments. The slowdown in demand in 1975 is analysed, as well as the causes of the inflationary spiral and the imbalance in the current external accounts. Attention is then focused in Part II on the performance of economic policy. Part III concludes the Survey with a brief discussion of economic prospects in 1976 and of some policy considerations.

## I RECENT TRENDS

The conditions of excess domestic demand which characterised developments in 1973, persisted into 1974. With the exception of special investments<sup>1</sup>, all categories of domestic demand expanded rapidly last year, and import volumes rose substantially; at the same time, there was a marked weakening in demand for Icelandic exports and capacity constraints limited the advance in home market industries. As a consequence, real gross national product increased in 1974 at about half the rate in the preceding year. The effects of the inflationary wage settlements in the early part of 1974 were compounded by soaring import prices of oil and basic materials, to help push the rate of price increases to the highest in the post-war period among Member countries. The sharply rising import prices and the adverse real foreign balance resulted in a considerable deterioration in the current external balance.

In an attempt to move the economy into better balance, the authorities in May 1974 announced a devaluation of the krona, the introduction of an import deposit scheme and the suspension of wage indexation. A further package of measures including another krona devaluation, continuing tight price controls and increased taxes was introduced in September. By this time, however, it was becoming evident that demand pressures had been easing. In the first half of 1975, activity weakened perceptibly, but with continuing rapid price inflation. In February 1975 with the current external account remaining in large deficit, another devaluation of the krona was accompanied by a number of measures to tighten fiscal policy. A further package of restrictive measures was announced in July<sup>2</sup>.

### *Demand and output*

Although final domestic demand rose at a slower rate last year than in 1973, and the rate probably moderated through the year, the increase of 7.1 per cent in real terms was nevertheless substantial, and higher than had been forecast. In 1973, however, demand was boosted by the special housing needs created by the volcanic outbreak on Vestmannaeyjar and large expenditures for trawlers. Outside these "special" areas the volume of general domestic demand increased at a faster rate in 1974 than in the preceding year (7.9 per cent compared with 6.3 per cent), the most important reason being the sharp rise in private consumption. Real disposable household incomes rose by 9.0 per cent, much the same as in 1973. Although wages did not run ahead of prices to the same extent as in 1973, tax cuts and higher transfer receipts largely made up the difference. At the same time, it seems likely that the acceleration of prices and uncertainties about the exchange rate helped to strengthen inflationary expectations and led to heavy anticipatory purchases of passenger cars and consumer durables in the first half of the year.

Public consumption continued to rise at a fast rate in 1974, the increase in volume of 6 per cent being in line with the official forecast. The rise in public investment, however, was considerably above what had been forecast. The increase of 12.1 per cent largely reflected an acceleration of hydro-electricity and geothermal heating projects aimed at lessening dependence on oil and easing the heavy burden on the balance of payments resulting from the higher oil prices. In other categories of public sector investment, in which some scope for reducing expenditure

1 The category "special investments" covers expenditures on Burfell and Sigalda power plants, aluminium smelter, ferro-silicon plant, imported ships and aircraft and imported houses for the inhabitants of Vestmannaeyjar.

2 See Annex for details.

Table 1 Output and Expenditure

	1974 Kr. bill.	Percentage change in volume				
		1971 1965 Annual rate	1972	1973	1974	Official forecasts <sup>1</sup> 1975
Private consumption	87.7	4.7	10.2	6.5	7.5	-12.0
Public consumption	14.4	5.0	6.0	6.0	6.0	—
Gross fixed investment	43.2	5.9	-1.0	20.1	6.7	-3.0
General	35.4	3.0	12.2	6.0	9.9	-4.7
Special	7.8	18.7	-38.5	93.3	-2.3	4.6
Domestic demand, excluding changes in export stocks and livestock	145.3	5.1	6.5	10.2	7.1	-8.1
Changes in export stocks and livestock <sup>2</sup>	3.3	—	-5.4	1.0	3.5	-2.2
Total domestic demand	148.6	5.2	1.7	11.3	10.2	-10.1
Foreign balance <sup>3</sup>	-15.5	-2.2	3.7	-6.7	-8.7	7.7
Exports, goods and services	48.1	3.3	9.5	10.0	0.3	3.4
Imports, goods and services	63.6	7.6	1.2	19.5	13.4	-13.5
GNP at market prices	133.0	3.1	5.6	5.9	3.2	-3.5
Terms of trade effects <sup>3</sup>		0.6	-0.2	4.0	-2.8	-4.5
Gross national income		3.7	5.4	9.9	0.4	-8.0

1 Forecasts show changes in constant (previous year's) prices while actual changes are calculated from estimates at constant 1969 prices.

2 The first column shows the absolute level of stockbuilding and foreign balance. Remaining columns show changes in stockbuilding and foreign balance in per cent of GNP of previous year.

3 Per cent of GNP of previous years.

Sources: Central Bank of Iceland, Annual Report 1974; National Economic Institute, The National Economy, Developments in 1974 and Prospects for 1975; direct Icelandic communication to the OECD.

may have existed, the volume of activity was maintained at the high 1973 level despite the sharp rise in building and construction costs. However, the stabilisation of real spending in this area represented a marked change from the earlier steep growth pattern. Most categories of private fixed investment were buoyant last year. In particular, housing investment other than that associated with the replacement of houses at Vestmannaeyjar, rose strongly, aggravating pressures in a sector where supply shortages had been severe for some time.

Investment in stocks of imported materials and goods probably contributed to the strong demand pressure, but as the stockbuilding item shown in the Icelandic national accounts includes only changes in export stocks and livestock, the importance of total investment in stocks cannot be fully ascertained. But, reflecting weak demand in foreign markets for Icelandic exports, stocks of export products — notably marine products and aluminium — rose sharply last year. The build-up in stocks occurred simultaneously with a marked slowdown in the growth of output in the fishing and fish processing industries from 8 per cent in 1973 to 1 per cent last year. After taking account of the changes in stocks, total real domestic demand increased by about 10½ per cent last year, slightly less than in 1973.

In contrast to the situation in 1973, the growth of domestic production fell substantially short of the rise in domestic demand. In fact, gross domestic product rose by 3½ per cent, about half the rate in 1973, largely reflecting reduced output in the fishing sector due to resource and capacity constraints in the manufacturing industries. Accordingly, there was a strong rise in the volume of imports. The volume of general imports<sup>3</sup>, which are closely correlated with domestic

3 General imports are total imports excluding ships, aircraft, imports for power projects, aluminium smelter and imported houses for Vestmannaeyjar.

Table 2 Gross Fixed Investment

	Current prices	Percentage change at constant prices <sup>1</sup>				
		Annual rate	1973-1974		Forecasts	
			1973	1974	1974	1975
	1973 Kr. bill.	1971-1965				
Public works and buildings	7.73	7.4	2.0	12.1	9.6	17.9
Housing	7.74	-0.9	46.9	-16.3	-16.9	-5.0
<i>of which</i> : Excluding imported houses for Vestmannaeyjar	5.74	-0.9	9.0	10.9	10.0	-3.3
Other	13.14	7.6	20.4	15.0	13.2	-15.1
<i>of which</i> : Agriculture	1.86	-3.2	10.6	8.3	3.2	-4.6
Fishing	4.64	11.0	112.8	-19.3	-13.8	-41.8
Fish processing	1.27	-1.8	25.2	10.3	7.9	-5.0
Manufacturing, except fish processing	1.81	16.8	-39.6	4.8	4.2	16.6
<i>of which</i> : Non-aluminium	1.57	7.3	-18.7	13.3	18.2	-0.8 <sup>2</sup>
Trade and services	1.25	-0.9	5.2	37.7	4.8	-20.2
Transport equipment	1.38	11.9	7.8	100.0	131.9	-10.7
Miscellaneous machinery and equipment	0.94	9.8	21.5	59.2	27.7	-16.7
Total gross fixed investment	28.61	5.8	20.1	6.7	4.0	-3.0
<i>of which</i> : Ships and aircraft	3.91	10.2	176.0	18.3	20.2	-32.8
Other special <sup>3</sup>	0.73	60.0	-63.4	80.7	77.4	135.1
General	21.97	3.0	6.1	9.9	7.7	-4.7

1 Constant 1969 prices except for the forecasts which are expressed in terms of prices of the preceding year.

2 Ferrosilicon plant excluded.

3 State power plant, aluminium smelter and ferro-silicon plant. Imported houses for replacement of housing damaged during the volcanic eruption on Vestmannaeyjar are excluded. These houses amounted to Kr. 2 billion in 1973 and to Kr. 0.17 billion in 1974.

Sources: Central Bank of Iceland, Annual Report; National Economic Institute, the National Economy 1973-1974; direct Icelandic communication to the OECD.

demand, rose by 14.2 per cent compared with the official forecast of 8 per cent<sup>4</sup>. There was, however, a marked slowdown in the rate of increase in the volume of special imports. But despite this, the total of imports of goods and services rose by some 13½ per cent in volume in 1974.

Although resource and capacity limitations would have forced a reduced rate of growth of export production last year as compared with 1973, the weakening of demand in Iceland's main foreign markets was the main factor behind the decline in merchandise exports of 5.7 per cent. The effects of weak export demand on activity and output in the major export industries, however, were cushioned by heavy stockbuilding<sup>5</sup>. Activity in the predominant marine sector was virtually flat<sup>6</sup>. Production of aluminium, the second most important export item, was buoyant in the first half of 1974, but then fell back sharply in response to falling foreign demand. In other export industries, output expanded considerably, but less than in 1973. After allowing for services, the volume of total exports was about flat in 1974. Consequently, the real foreign balance deteriorated by the equivalent of 8.7 per cent of gross national product.

4 According to official estimates, a 1 per cent volume increase in final general domestic demand tends to be associated with a 1.4 per cent increase in general imports; in 1974 the figure was 1.8 per cent.

5 Export stocks in volume of marine products and aluminium increased by 57 and 71 per cent respectively. At end-1974 they corresponded to about 2½ month's fob exports at the 1974 rate in these products.

6 The total fish catch increased by 3.6 per cent in volume between 1973 and 1974. The increase was concentrated in capelin, while the white fish catch showed little improvement on the 1973 level, despite large additions to the trawler fleet.

Table 3 Gross Domestic Product by Industrial Origin

	Weight in 1975 per cent	Percentage volume change			
		1972	1973	1974 Provisional	1975 Official forecasts
Agriculture	6.8	4	4	3½	-3
Fishing and fish processing	13.7	-6	8½	1	2
Manufacturing other than fish processing	17.9	8	12	3½	-3
Construction	14.9	12	6	6	-2
Public services	7.1	6	6	6	0
Ownership of dwellings	6.9	2½	1½	3	2
Other	32.7	8	6½	4	-7
Total	100	5½	6½	3½	-3
Export sector	20		14.8	0.9	1.0
Other sectors	80		4.3	4.2	-3.5

NOTE: Estimates are subject to wide margins of error and should be treated as very rough indications only. The growth of the non-export sector is calculated as a residual from the growth of total GDP and the export sector. The latter's in-total GDP weight has been assumed to be 20 per cent.

Source: Direct Icelandic communication to the OECD.

It seems probable that aggregate demand in 1974 weakened in the second half of 1974, before falling in the current year. However, given the limited availability of statistics, it is difficult to judge the exact timing of the change in demand. Although the volume of imports fell in the third quarter of 1974 partly reflecting seasonal influences, the effects of the import deposit scheme introduced in May and the two devaluations of the krona in May and August may also have contributed. Import volumes continued to fall in the fourth quarter and into the first quarter of this year when the level was about 25 per cent below the peak in the second quarter of 1974. In the first four months of 1975, imports of passenger cars and main consumer durables were significantly below the levels of a year earlier. Sales tax returns reportedly show a decline in the volume of final spending, notably private consumption, through the first half of 1975. New housing starts have probably been trending down during this year. In addition, the rate of credit expansion has moderated sharply this year, providing further evidence of easing demand pressures.

Domestic demand is expected to remain depressed in the second half of 1975, falling by about 8 per cent in the year as a whole below last year's level. Private consumption is officially forecast to be sharply cut back, being reduced on a per capita basis back to about the 1971 level. Substantial reductions are also expected in most areas of private investment, while public investment may rise strongly, solely because of investment in the energy sector. Reflecting the fall in domestic demand the volume of imports should fall substantially, possibly by as much as the 13½ per cent now forecast by the Icelandic authorities<sup>7</sup>. At the same time, the volume of exports may recover, but all of the officially expected growth in exports of 3.4 per cent will need to be in the second half of the year and could largely be met by running down stocks, in which case activity in the export industries would remain weak. With weak imports and a possible recovery in exports, a sharp turnaround in the real foreign balance could eventuate. The year as a whole may see a fall in real GNP of around 3½ per cent.

Despite the marked decline in domestic demand this year, the labour market has remained tight, although the workforce is estimated to have increased by about

7 The original forecasts published in April showed a fall of 14.3 per cent in import volumes and a rise of 9 per cent in export volumes.

2 per cent. In the first four months of 1975, the unemployment rate of 0.7 per cent was marginally higher than the corresponding period of 1974. The unemployment rate jumped to 1.3 per cent in May, but this was mainly the result of a strike of the trawler fleet, and with the settlement of the strike the rate fell to 1 per cent in June and 0.4 per cent in July. With activity in most sectors declining through the rest of 1975, particularly in the construction industry, a small rise in unemployment can be expected but so far this has not appeared<sup>8</sup>.

### Inflation

All the main price indices and implied deflators rose at a faster rate in 1974 than at any time in post-war Iceland. The rate of increase in the cost of living almost doubled on an annual basis in 1974 and exceeded 50 per cent in the twelve months to mid-February this year. The rise in the cost of living index slowed from an annual rate of 63 per cent in the first half of last year to 41 per cent in the second half, but then re-accelerated around the end of the year. The year-on-year increase in consumer prices fell from 51 per cent in November last year to 48 per cent in May this year.

Table 4 Prices and Incomes  
Percentage change

	1972	1973	1974	1975 Official forecasts
Implied GNP deflator :				
Total domestic demand	17.2	25.5	41.8	45.5
Total domestic demand less imports	27.0	34.5	45.7	29.9
Import goods and services	5.3	19.8	40.1	66.3
Export goods and services	7.0	29.8	28.1	46.9
GNP	18.0	31.7	39.5	37.5
Cost of living index	10.4	22.1	42.7	48.5
Consumer prices	13.8	25.1	41.4	49.5
Building costs (Reykjavik)	22.0	27.8	51.3	40.0
Hourly wage rates, unskilled workers	32.9	22.7	45.0	33.6
Hourly pay rates, all employees	27.5	23.5	48.5	27.0
Total wage and salary earnings	30.5	37.0	52.0	25.5
Real wage and salary earnings <sup>1</sup>	18.2	12.2	6.5	-15.5
Gross personal income (including transfers)	30.0	37.0	51.0	25.0
Disposable household income	28.0	37.0	54.8	25.0
Real disposable household income <sup>2</sup>	12.5	9.5	8.5	-16.4

1 Deflated by cost of living index.

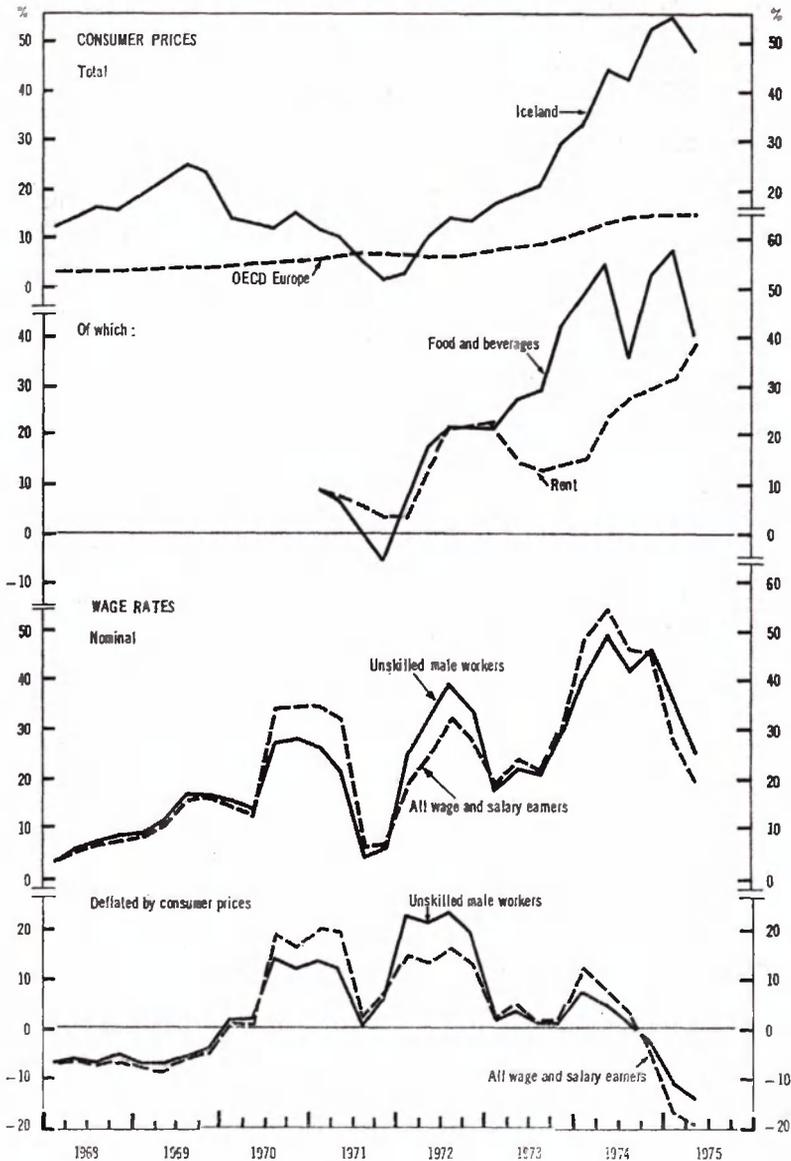
2 Deflated by consumer prices.

Sources: Central Bank of Iceland, Annual Report 1974 and direct Icelandic communication to the OECD.

A major source of domestically-generated inflation has been the recent large increases in wages and salary earnings totalling 37 per cent in 1973 and 52 per cent last year. However, much of the increase last year occurred in the first quarter when average wage rates were raised by 30 per cent. Since then the rise in wage

8 The very tight labour market conditions of the past several years have led to a widespread tendency for overtime and part-time work. While in these circumstances, registered unemployment will tend to rise considerably only in a severe and protracted downturn of the economy, the income effects of reduced demand for labour may be quite marked. No unemployment benefits are paid for loss of earnings due to reduced hours or loss of part-time work.

**Diagram 1 Prices and Wages**  
 Percentage change from same quarter of previous year



**Sources:** Statistical Bureau of Iceland, Statistical Bulletin; OECD, Main Economic Indicators; direct Icelandic communication to the OECD.

rates has moderated considerably involving a sharp reduction in real incomes. To help offset the effects of inflation on the lower and medium income groups, income equalisation payments equal to about 6½ per cent of wage and salary rates were made in October last year. A further payment of 10 to 11 per cent was made in March this year. On both occasions these were flat kronur payments up to an income limit which in October 1974 was about the average wage, but in March 1975

the income limit was raised to about 25 per cent above the average wage. Graduated payments were received up to a level of 7 per cent higher than the limit set for flat payments, and ceased thereafter. To some extent the income equalisation payments were granted to partly replace the recipient groups wage indexation which was suspended in May 1974 but also partly to offset changes in differentials gained by the higher paid wage earners in the February-April round of settlements. Pressures for wage increases to compensate for loss of real incomes built up early in 1975. In the second quarter, strikes immobilised three important State-owned industries for three weeks. A strike over pay increases for trawler seamen<sup>9</sup> lasting for two and a half months began in April, while the Federation of Labour in June submitted substantial pay claims backed by the threat of a general strike. In the event, a relatively moderate settlement was reached hours after the start of the general strike.

The June settlement, which served as a model for pay decisions throughout the economy, involved an immediate pay increase of 10 per cent on average with a further 4 per cent to be paid in October. Higher income groups received increases equal in kronur terms to the income equalisation payments awarded to the lower and medium income groups in October 1974 and March this year, but further increases (again following the flat Kronur rate method) favouring those on lower incomes were subsequently made. Wage indexation remains suspended throughout the year unless the compensation index exceeds the index at the beginning of May by more than 11.9 per cent. The threshold, however, does not include increases in alcohol and tobacco prices and to some extent agricultural prices. Thus, the actual increase in the cost of living index will need to be below 14½ per cent in the six months to November if wage increases in December are to be avoided. The achievement of a rise in the cost of living index of less than 14½ per cent would represent a marked reduction in wage costs as a source of domestic inflation. Preliminary estimates suggest that the rise in the index will be about 14 to 15 per cent.

Inflationary impulses from the foreign trade sector have contributed markedly to price increases over the last three years. Last year's Survey pointed to the tendency for export booms, notably in the predominant fishing industry, to be quickly reflected in a loss of domestic price stability. The effects of the surge in world prices for fish products in 1973 adversely affected price performance throughout 1974 and the early part of the current year, as did the large increases in prices of oil and other industrial materials. The stabilising effects on domestic inflation of the fall in export prices since early 1974 (see Diagram 3), however, have been more than offset by an acceleration in world trade prices of finished manufactures and exchange rate movements. Between early 1974 and early 1975 the krona rate fell by some 45 per cent on a trade weighted basis (see page 24). The direct boost of the krona devaluations to the cost of living index during this period may have amounted to around 25 to 30 per cent, about half of the total increase. Given the strength of inflationary forces from both external and internal sources, the price control arrangements, described in last year's Survey, have probably been largely ineffective in slowing price rises<sup>10</sup>.

### *Deteriorating external balance*

Iceland's external accounts deteriorated markedly in 1974, the deficit on trade account increasing by \$US 112 million to \$US 147 million. Whereas in 1973

<sup>9</sup> Wages on the large trawlers have lagged behind those in the rest of the economy in the last two years and manning problems contributed to strained labour relations in the trawler sector.

<sup>10</sup> See last year's Economic Survey of Iceland p. 17. Rulings of the Price Board seem to have implied a reduction of percentage mark-ups following the last two devaluations. On the other hand, percentage mark-ups were raised both in the spring of 1974 and last spring (see Annex and page 26 below).

Iceland's merchandise terms of trade improved by 15 per cent, they worsened by 11 per cent last year, accounting for some 60 per cent of the increase in the trade deficit. The most important single factor was the impact of higher oil prices, equal to more than 2½ per cent of gross national product and approximately the same as the deficit in 1973. Import prices in US dollar terms rose by 35 per cent in 1974, while export prices rose by 20 per cent. In addition to the fall in the terms of trade, and as indicated earlier, the real trade balance also moved adversely last year. Reflecting weak external demand, the volume of merchandise exports declined by 5.7 per cent. More importantly, the continuation of excess demand coupled with strengthening inflationary expectations which resulted in speculative imports and stockbuilding produced an increase of 16 per cent in the tonnage of non-oil general imports, considerably higher than had been officially forecast. Against this, however, the tonnage of imports of oil products declined by 5 per cent.

Table 5 Foreign Trade by Commodity Groups

	1974 US \$ mill.	Percentage change in \$ values from corresponding period of previous year			
		1972	1973	1974	Jan-June 1975
<b>Exports, fob</b>					
Marine products	246.3	12.1	51.3	15.1	-3.0
Agricultural products	9.5	29.5	44.3	10.9	-19.0
Other	73.5	125.9	53.1	8.4	-49.1
Aluminium	48.0	207.6	58.9	-3.1	-67.8
Other, excluding aluminium	25.5	38.7	39.3	39.4	5.4
<b>Total</b>	<b>329.3</b>	<b>27.4</b>	<b>51.5</b>	<b>13.4</b>	<b>-13.4</b>
<b>Imports, cif</b>					
Investment goods	191.8	-5.6	73.6	36.2	-13.9
Input goods	174.7	6.9	48.9	74.1	18.7
Oil	62.1	-0.7	57.9	129.1	0.6
Non-oil	112.6	9.8	45.8	53.8	28.0
Consumer goods	160.1	19.4	33.0	40.1	-15.5
<b>Total</b>	<b>526.6</b>	<b>6.1</b>	<b>51.6</b>	<b>48.2</b>	<b>-4.3</b>

NOTE: Trade conversion rates (Kr. per \$ US): 1971: 87.61, 1972: 87.12, 1973: 89.67, 1974: 99.84, Jan-June 1974: 88.43, Jan-June 1975: 142.99.

Sources: Central Bank of Iceland, Annual Report and direct Icelandic communication to the OECD.

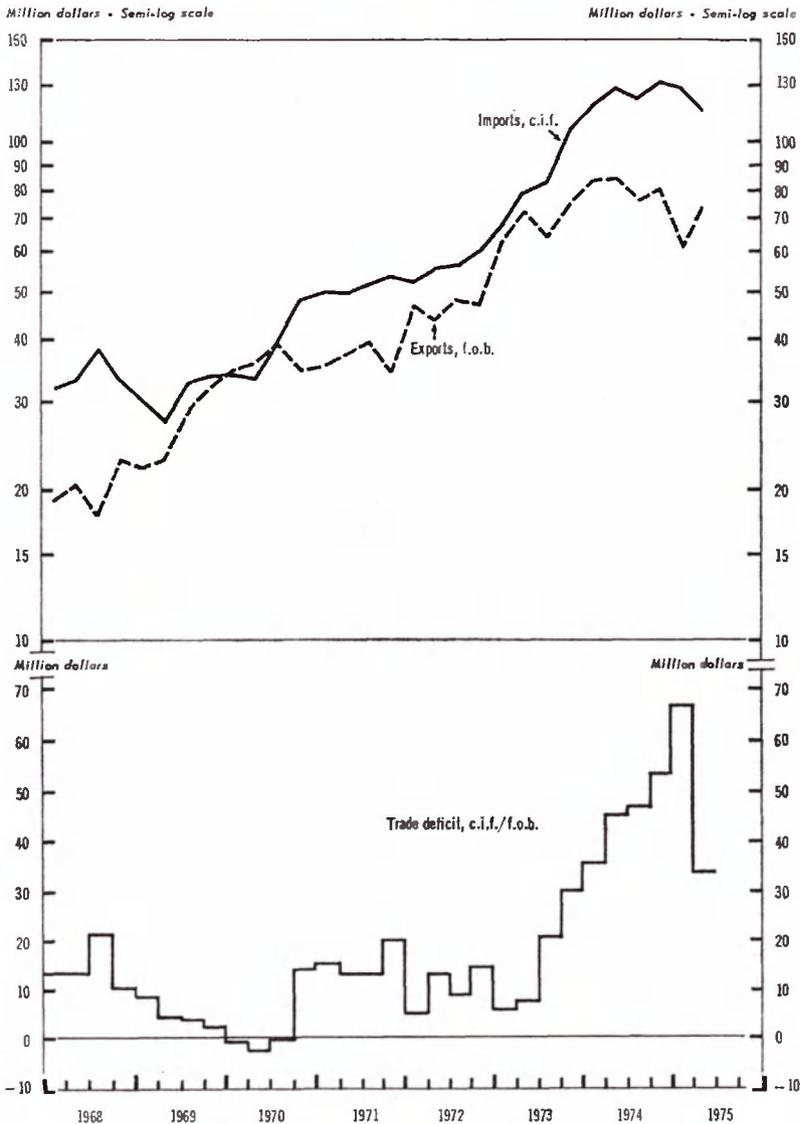
Table 6 Merchandise Imports, cif

	1974 US \$ mill.	Percentage change in volume			
		1973	1974	1974	1975
				Official forecasts	
<b>Special imports</b>	<b>105.5</b>	<b>103.0</b>	<b>5.0</b>	<b>10.0</b>	<b>-10.3</b>
<i>of which: Ships and aircraft</i>	<i>55.9</i>	<i>183.0</i>	<i>18.3</i>	<i>20.0</i>	<i>-33.0</i>
Other	49.6	49.2	-11.6	-1.9	-24.7
<b>General imports</b>	<b>421.1</b>	<b>12.1</b>	<b>14.2</b>	<b>8.0</b>	<b>-18.0</b>
Oil	62.1	31.4	-5.5	-10.0	-3.0
Non-oil	359.0	10.6	16.0	9.5	-20.5
<b>Total</b>	<b>526.6</b>	<b>25.7</b>	<b>11.7</b>	<b>8.5</b>	<b>-16.5</b>

Sources: National Economic Institute, the National Economy and direct Icelandic communication to the OECD.

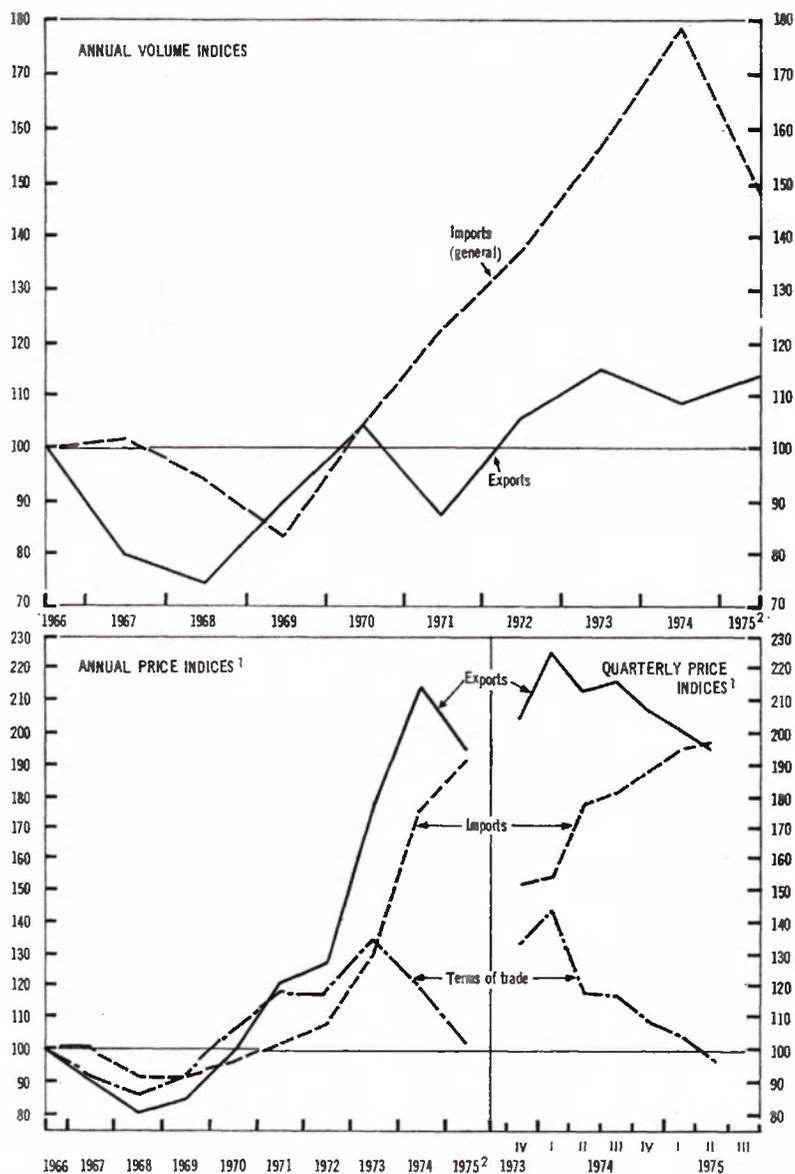
In the early part of the current year, the value of exports (fob, seasonally adjusted dollar values) fell sharply, mainly as a result of a sharp reduction in aluminium shipments. Exports of marine products seem to have improved a little, but difficulties are being encountered in some main outlets due to the general weakness of demand and increased protection being given to domestic fishing industries in market countries. Export values improved strongly in the second quarter suggesting that some recovery is under way. With the dollar value of imports falling in the first half of the year, some progress towards reducing last year's large trade deficit seems probable, although, given the weak outlook for world trade, some doubt exists

**Diagram 2 Exports, Imports and Trade Deficit**  
Seasonally adjusted quarterly figures



Source: OECD, Statistics of Foreign Trade, Series A.

**Diagram 3 Foreign Trade Volumes and Prices**  
Indices, 1966 = 100



1 US \$ prices.

2 Forecasts by National Economic Institute, October 1975.

Sources: National Economic Institute, *The National Economy - Developments in 1974 and Prospects for 1975*; direct Icelandic communication to the OECD.

whether the officially forecast increase in merchandise export volumes of 5½ per cent can be realised. The merchandise terms of trade are officially forecast to deteriorate by 16 per cent in 1975.

For the first time in the post-war period, Iceland recorded a deficit on account of services last year, mainly as a result of a turnaround in the transportation account

Table 7 **Balance of Payments**  
*Transactions basis*  
 \$US million

	1972	1973	1974	1975 Official forecasts
Exports, fob	191.7	290.2	329.3	312.9
Imports, fob	215.5	325.4	476.6	430.3
<i>of which: Special imports<sup>1</sup></i>	(32.3)	(77.8)	(98.2)	(96.8)
<i>Trade balance, fob/fob</i>	-23.8	-35.2	-147.2	-117.4
Services, net	3.7	5.9	-8.3	-1.9
Foreign travel	-3.8	-4.1	-6.4	
Transportation and insurance	4.4	5.0	-5.0	
Interest payments	-9.8	-12.6	-18.1	
Other	12.8	17.6	21.2	
Transfers, net	0.2	16.2	0.6	
<i>Current balance</i>	-19.9	-13.1	-154.9	-119.4
Long-term capital	33.9	41.8	109.1	101.6
Private	0.4	0.9	39.9	27.2
Direct investment	9.4	2.2	1.7	1.5
Inventory financing	-6.6	-4.6	11.5	14.8
Long-term borrowing	-2.4	3.3	26.7	10.8
Official	24.0	22.4	45.2	67.2
Financial institutions	9.5	15.2	18.2	7.3
Contribution of Nordic Countries to the Nordic Industrialisation Fund	—	3.3	5.8	—
Short-term capital (including errors and omissions)	-8.8	-17.5	-10.3	1.6
<i>Capital balance</i>	25.1	24.3	98.8	103.2
Balance on non-monetary transactions	5.2	11.2	-56.1	-16.2
SDR allocations	2.5	—	—	
Trade credit	1.4	-9.1	0.8	
Deposit money banks	-1.1	0.6	9.3	
Central Bank	7.3	19.7	-66.2	
Conversion rate (Kr. per \$ US)	87.12	89.67	99.84	155.0

1 Ships and aircraft, imports for Thjórsá power projects and aluminium smelter and houses for the inhabitants of Vestmannaeyjar.

Sources: Central Bank of Iceland, Monthly Bulletin and direct Icelandic communication to the OECD.

from surplus to deficit and rising interest payments on a growing foreign debt. Transfer receipts, which remained in small surplus, also fell sharply, reflecting largely the cessation of aid for the reconstruction of Vestmannaeyjar. In total, there was a deficit on invisibles of about \$ US 7½ million, giving a current account deficit of \$ US 155 million — equal to 11.6 per cent of gross national product — compared with a deficit of \$US 13 million in 1973.

Much of the current external deficit last year was financed by long-term capital inflow of \$US 109 million. Iceland also used the facilities with the International Monetary Fund, drawing its gold tranche equal to 5.8 million SDRs and on the Fund's Special Oil Facility to the extent of 15.5 million SDRs. Official foreign exchange reserves were substantially run down. By end-August 1975, drawings with the IMF totalled 31.7 million SDRs of which 25.6 million SDRs was on the Special Oil Facility. With foreign exchange reserves being run down by one-fourth in the first quarter of the year, 5.8 million SDRs were drawn from the IMF in April. A further drawing of 8.4 million SDRs was made in July leaving oil facilities

Table 8 Official Reserves  
End of period  
US \$ million

	1971	1972	1973	1974	1975 July
Gold	1.1	1.1	1.2	1.3	1.2
SDR's	3.2	6.9	7.7	7.7	6.7
IMR reserve position	6.2	6.2	7.0	—	—
Foreign exchange	59.4	69.9	83.8	39.6	42.2
Total	69.9	84.2	99.6	48.5	50.1

Source: IMF, International Financial Statistics.

available in 1975 to Iceland at 5.4 million SDRs<sup>11</sup>. At the end of April official reserves were equivalent to less than one month's cif imports at the seasonally adjusted monthly rate for the January—April period. The last few years has seen a sharp increase in the size of the external debt and the cost of servicing the debt. Between 1973 and 1974 the debt as a proportion of export receipts rose from 55.9 per cent to 85.2 per cent; the comparable figures for servicing cost were 9.7 and 11.5 per cent. On debt outstanding at the end of 1974, servicing costs are estimated to rise considerably in 1975 and 1976 before falling somewhat in the two subsequent years.

## II ECONOMIC POLICY

Economic policy in Iceland has always been faced with the difficult task of mitigating undesirable effects from external impulses to the economy. With an exceptional one-sidedness in exports and a high degree of dependence on imports — manufactured goods as well as raw materials — this objective is more important than in most Member countries and has a high priority in the setting of economic policy. As stressed by OECD Surveys in the past, impulses to the economy from fluctuations in the fish catch and terms of trade movements have often had a destabilising impact on the growth path and prices contributing importantly to a rate of inflation which for years has been considerably higher than elsewhere in the OECD area. Nevertheless, the high rate of inflation is not unrelated to the mix of policies chosen and to institutional peculiarities of the Icelandic economy.

The impact on growth and inflation of last year's unfavourable external development following the quadrupling of oil prices in late 1973 was thus exceptional by magnitude rather than by nature. However, conditions for effectively counteracting the domestic impact of these external events were not favourable. Expectations continued to be geared towards expansion in the first half of 1974, as was reflected in the outcome of wage negotiations in March last year, which increased nominal wages by one-fourth. As foreign exchange reserves started deteriorating from the beginning of the year, monetary policy was tightened and a

11 The general facilities for 1975 have been fully drawn (25 per cent of the quota). Drawings beyond the 25 per cent ceiling are sometimes authorised by the IMF, depending on stipulated policy measures being taken. In addition, there are special facilities designed to meet a shortfall of exports (the IMF's compensatory financing facility) which, if Iceland qualified, would involve a maximum of 11½ million SDRs.

series of fiscal and incomes policy measures were proposed to Parliament in May. These measures failed to gain acceptance but some of them were adopted on a temporary basis until the new Government introduced a policy package in September. In the event, monetary as well as fiscal policy had a highly sustaining impact on demand. Bank credit expanded at an unprecedented rate and central government budget deficit increased sharply. As noted, this outcome required application of the traditional instrument, exchange rate adjustments. Developments during the first half of this year show a greater success in restricting the expansion of credit. But the tightening of fiscal policy indicated in the original budget for 1975 and in the economic policy package of April has been slow in eventuating.

### *Fiscal policy*

The central government budget for 1974 as originally approved, was for a small surplus overall indicating a slight tightening of budgetary policy compared with the outcome for 1973. In the event, however, the current surplus was smaller than expected resulting in an overall deficit of 3.29 billion kronur. The increase in the deficit, equal to about 2.0 per cent of gross national product, was an important factor in sustaining strong demand pressures. In addition, Central Bank

Table 9 Central Government Revenue and Expenditure  
*Accrual Basis*  
Billion kronur

	1972	1973	1974		1975	1976
	Accounts	Accounts	Budget <sup>1</sup>	Accounts <sup>2</sup>	Budget <sup>1</sup>	Budget proposals <sup>1</sup>
Current revenue	18.53	24.88	30.12	37.72	48.75	57.40
Direct taxes	4.33	5.71	7.86	5.94	8.04	7.71
Social security contributions	0.61	0.73	0.87	1.20	1.45	2.08
Excise and sales taxes	6.15	8.15	10.02	15.51	21.75	27.46
Import duties	5.72	8.02	8.82	11.45	12.72	12.98
Other indirect taxes	1.50	1.97	2.30	3.23	4.37	6.56
Other revenue	0.21	0.29	0.25	0.39	0.42	0.61
Current expenditure	14.06	19.74	21.67	30.64	34.69	43.72
Consumption	5.04	7.11	8.33	11.12	12.37	15.75
Interest on public debt	0.34	0.46	0.41	0.79	0.72	1.17
Current transfers	8.68	12.18	12.93	18.73	21.60	26.80
To social security	5.68	8.10	9.93	12.01	14.50	17.19
Consumer subsidies	1.68	2.14	1.50	3.74	3.76	4.27
Other	1.32	1.94	1.50	2.98	3.34	5.34
Current savings	4.47	5.14	8.45	7.08	14.06	13.68
Gross fixed investment	1.59	2.13	2.65	3.01	3.97	5.05
Capital transfers <sup>3</sup>	2.75	3.26	5.14	7.36	8.65	8.63
REVENUE BALANCE	0.13	-0.25	0.66	-3.29	1.44	—
Financing: (excluding Central Bank)						
Long-term borrowing, net	0.62	0.69	0.62	0.30	0.29	
Short-term borrowing, net	-0.64	-0.74	-0.88	-0.42	-1.04	
OVERALL CASH BALANCE <sup>4</sup>	0.12	-0.30	0.40	-3.41	0.69	

1 Cash basis.

2 Preliminary.

3 Mainly transfers to public utilities and local government for investment purposes and to Investment Credit Funds.

4 Change in Central Bank position and cash balance.

Sources: Central Bank of Iceland, Annual Report 1973 and 1974; National Economic Institute, The National Economy 1973-1974; direct Icelandic communication to the OECD.

financing contributed to the rapid expansion of bank credit. The pro-cyclical outcome of last year's budget seems to have largely been due to the strong inflationary pressures. The budget was based on the assumption of substantially smaller increases in prices and wages than occurred. Consequently, government expenditure rose at a considerably faster rate than had been planned. Rapid inflation and the effects of the devaluation resulted in large increases in subsidies, social security allowances and pensions. In total, central government current expenditure rose by 55 per cent in 1974.

In an attempt to tighten fiscal policy and to support the devaluation by raising further the price of imported goods in krona terms, indirect taxes were increased in May last year and again in September when consumer subsidies — which had been raised in May — were also cut. These measures followed changes in March, aimed at facilitating labour market agreements involving a shift from personal income taxes to indirect taxes. Sales tax rates were substantially raised in several steps in 1974<sup>12</sup>, and there were marked increases in taxes on automobiles, petrol, tobacco and alcohol; revenue from these sources was therefore considerably above the budget estimates. Revenue from direct taxes, however, was well below the initial estimates because of the shift from direct to indirect taxes mentioned above. Direct tax revenue did not increase in line with nominal incomes in Iceland as taxes are levied on the basis of the previous year's incomes and net current earnings. Earlier OECD Surveys of Iceland have noted the pro-cyclical tendencies produced by the tax collection system, especially in a highly inflationary situation. It seems

Table 10 Functional Breakdown of Central Government Expenditures<sup>1</sup>

*Accrual basis*  
Billion kronur

	1972	1973	1974		1975	1976
	Accounts	Accounts	Budget	Accounts	Budget	Budget proposals
General expenditures <sup>2</sup>	2.17	2.98	3.19	4.98	4.69	5.41
Social affairs	10.06	13.97	17.42	21.33	26.43	32.67
Education, culture and church	3.12	4.28	5.55	6.64	7.94	
Health	0.41	0.56	0.75	1.02	1.35	
Welfare	6.53	9.14	11.12	13.67	17.14	
Economic affairs	5.60	7.42	7.83	13.53	14.16	17.34
Consumer subsidies	1.68	2.14	1.50	3.74	3.76	4.27
Agriculture	0.82	1.19	1.25	2.21	2.18	2.81
Fishing	0.32	0.65	0.73	0.88	1.11	1.80
Manufacturing	0.09	0.22	0.24	0.27	0.43	0.73
Power	0.35	0.24	0.38	1.59	0.98	1.19
Communications	2.34	2.98	3.73	4.84	5.71	6.54
Other	0.56	0.76	0.97	1.17	1.95	1.97
Total	18.40	25.13	29.40	41.01	47.23	57.39

1 Including fixed investment and capital transfers.

2 Administration, foreign service and government pensions.

Sources: Central Bank of Iceland, Annual Report 1974; direct Icelandic communication to the OECD.

12 The changes in sales tax included: reduction of the 2 per cent special addition accruing to the Vestmannaeyjar Emergency Fund by 1 per cent; new addition of 1 per cent earmarked to reduce higher heating costs in dwellings due to the oil price increase (excluded from the wage compensation index); 4 per cent increase to reduce direct taxation in order to facilitate wage settlements (excluded from the wage compensation index); 2 per cent increase to tighten fiscal policy after the August devaluation and the higher transfers and subsidies brought about by the depreciation and the wage increases. In total, the sales tax rate increased from 13 to 19 per cent during 1974.

that the absence of a pay-as-you-earn system of income tax collection was an important cause of domestic imbalance in 1974<sup>13</sup>.

The central government budget for 1975 initially provided for a small overall surplus implying a considerable tightening of fiscal policy compared with last year's budget outcome. Total expenditure, including gross fixed investment and capital transfers, indicated an increase of some 15 per cent. As planned, this represented a more or less unchanged volume of expenditure on assumed price and wage changes, which in the event have turned out to be optimistic. The devaluation in February, inevitable due to the rundown of foreign exchange reserves, as well as wage agreements early this year had serious implications for government expenditure. The increase over and above the original budget estimate as a result of these events amounted to 5.1 billion kronur, part of which has been incurred to keep down the cost of living to facilitate wage settlements<sup>14</sup>. Agreement on wages also involved a further shift from direct to indirect taxation. To increase progression of the tax system and because an increase in direct taxation was not politically acceptable, a temporary compulsory savings scheme was introduced for higher income groups. Extensions and changes in the tax credit system introduced in 1974 will also increase progression, but this may be offset to some extent by the shift to indirect taxes. Furthermore, a special airport tax has been introduced of 350 and 2 500 kronur per passenger on domestic flights and to foreign destinations respectively. By April, the revised budget showed a deficit of some 3.9 billion kronur. The Government was authorised by the Althing to cut expenditure by 3½ billion kronur but in the event only cuts of some 2 billion kronur could be agreed<sup>15</sup>. Determined to balance the budget, the Government introduced in July a special temporary excise tax of 12 per cent on mainly non-essential goods having an estimated revenue of 1.5 to 1.8 billion kronur in 1975. The revised budget implied a tightening of fiscal policy in the second half of 1975. The budget proposals for 1976, which were announced on 13th October, are for a continued restrictive fiscal policy. The proposals are aimed at fiscal balance in 1976, with some reduction in transfers being partly offset by the abolition of the temporary and special excise tax imposed in July 1975, and an unchanged volume of public expenditure on goods and services.

### Monetary policy

The persistence of excess demand conditions into the first half of 1974 prompted the Central Bank in May to curb monetary expansion, the measures of 1973 having

13 The pro-cyclical impact of the government budget was even more marked for local government which experienced a substantial revenue deficit last year, financed by bank credit and transfers from central government. Local government revenue is based on direct and real estate taxes which have lagged considerably behind the inflation-induced increases in expenditure.

14 The following expenditure increases not envisaged in the budget have been incurred early this year:

	<i>Million kronur</i>
Increase on consumption and investment expenditure due to the devaluation	1 050
Increased costs of servicing public debt and guarantees for purchase of trawlers	650
Fertiliser subsidies	600
Higher salaries and social security benefits due to general wage agreements	1 300
Export subsidies to agricultural products underestimated	250
Higher consumer subsidies to compensate for increased wage costs in agriculture and to facilitate wage agreements	1 000
Other	250
<b>Total</b>	<b>5 100</b>

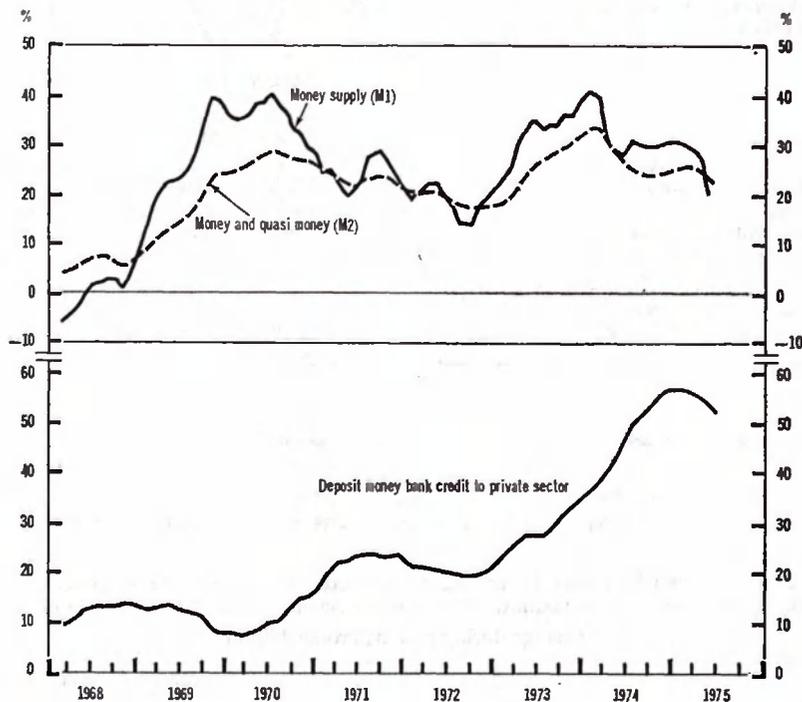
*Source:* Direct Icelandic communication to the OECD.

15 The cut included: investment projects—660 million kronur; transfers and operational expenditure—860 million kronur; transfers to investment credit funds and local authorities—480 million kronur.

largely been unsuccessful<sup>16</sup>. A credit ceiling limiting the growth of credit to 22 per cent for the year as a whole was agreed with the commercial banks. A penalty rate of interest of 18 per cent on the banks' overdrafts with the Central Bank was introduced and bank deposit and lending rates were raised by 4 per cent in July<sup>17</sup>. Sales of Government lottery bonds and Treasury bills, an issue of Government Savings Certificates and the temporary import deposit scheme<sup>18</sup>, all helped to limit the rate of growth of the money supply to 29 per cent in 1974, compared with 46 per cent in 1973. The authorities, however, were unable to restrict domestic credit expansion which grew by 62 per cent for the banking system and by 50 per cent for financial institutions as a whole.

Several factors contributed to the rapid growth of credit. In particular, the high level of activity and the acceleration of prices and cost generated a strong demand for credit which the banks continued to meet even if it meant drawing to an increasing extent on "lender of last resort" facilities with the Central Bank. The

**Diagram 4 Money and Credit Expansion**  
3-months moving average; percentage change on 12 months earlier



Source: OECD, Main Economic Indicators.

16 For details see "Calendar of Economic Events" in the OECD Survey of Iceland, December 1974.

17 Interest rates have not often been used as an instrument for credit policy. Prior to 1973 bank deposit and lending rates had been unchanged since January 1966. In May 1973 rates were increased by 2-3 percentage points in general and were left unchanged until July last year. Since then rates range from 13 per cent on savings deposits to 16 per cent on 12-month time deposits. The general rate for bank credit is 16 per cent. The main exception is export produce bills which are discounted at 8 per cent; when rediscounted at the Central Bank, a rate of 7½ per cent is charged.

18 Import deposits of 25 per cent were to be blocked for 90 days. The scheme was stepped down in successive stages from September to be completely abolished by the end of 1974. The nature of the scheme made it essentially a monetary instrument.

Table 11 Accounts of the Banking System<sup>1</sup>

	Position end-1974 Kr. bill.	Change during period; kronur billion				
		1973	1974	Fore- casts <sup>2</sup> 1975	Jan.-July	
					1974	1975
Foreign assets, net	-3.32	0.54	-8.19		-6.21	-7.62
Short-term foreign assets, net	2.10	1.15	-4.20	-1.90	-4.82	-3.18
Long-term foreign debt	-5.42	-0.61	-3.99		-1.39	-4.44
Domestic assets	57.24	9.84	21.81		13.41	13.72
Central Bank credit	6.10	1.50	3.25	0.70	2.08	1.34
Deposit money bank credit <sup>3</sup>	46.36	7.72	15.21	11.60	9.73	6.61
Foreign funds relent by Central Bank	0.75	0.68	0.52		0.32	2.16
Foreign funds relent by deposit money banks	4.03	-0.06	2.83		1.27	3.61
Public depositary funds	-4.14	-0.70	-1.90	2.90	-1.12	1.39
Other items, net	-4.76	-0.50	-1.99		-1.96	-2.59
Money and quasi-money	45.03	9.18	9.73	12.20	4.12	4.90
Money supply	13.60	3.33	3.02		2.22	2.22
Currency in circulation	3.25	0.54	0.63		0.42	0.57
Demand deposits	10.35	2.79	2.39		1.80	1.64
Time and savings deposits	30.92	5.68	6.59		1.87	2.63
Advance imports deposits	0.51	0.17	0.12		0.03	0.06

## Percentage change; annual rate

Domestic assets	38.5	61.6		70.1	44.5
Deposit money bank credit	32.9	48.8	25.0	55.9	25.6
Money and quasi-money	35.1	27.6	27.1	21.4	19.4
Money supply	45.9	28.5		40.5	29.6
Time and savings deposits	30.5	27.1		13.6	15.0

1 Consolidated accounts of Central Bank and deposit money banks.

2 Forecasts by the Central Bank of Iceland.

3 Including Treasury bills.

Sources: Central Bank of Iceland, « Monetary Developments »; direct Icelandic communication to the OECD.

increase in July to 24 per cent in the Central Bank's penalty rate on overdrafts seems to have largely been ineffective as inflation enabled the increase to be easily passed on to the borrowers. In addition, the automatic rediscounting of produce bills added to credit expansion<sup>19</sup>. This facility is provided to cover the operating

19 Figures shown in Tables 11 and 12 do not reveal movements on accounts between the Central Bank and deposit money banks. The separate account of the latter was as follows:

## Change during period; kronur billion

	1972	1973	1974
Foreign assets, net	-0.13	0.14	0.96
Domestic credit <sup>1</sup>	3.87	7.72	15.21
Total	3.74	4.86	16.17
<i>Financed by:</i>			
Deposits	3.56	7.94	8.72
Central Bank, net	—	-0.45	7.31
Rediscounts	0.64	1.29	4.25
Other	-0.64	-1.74	3.06
Cash and other items	0.18	0.37	0.14

1 Excluding foreign funds relent.

Source: Central Bank of Iceland, Annual Report 1974.

Table 12 Growth of Credit from Financial Institutions

	Credit outstanding end 1974 <sup>2</sup> Kr. bill.	Per cent contribution to credit expansion during year <sup>1</sup>				Percentage change during year			
		1971	1972	1973 <sup>2</sup>	1974 <sup>2</sup>	1971	1972	1973 <sup>2</sup>	1974 <sup>2</sup>
<i>By uses:</i>									
Central Government	7.1	0.2	0.1	2.7	6.8	4.2	1.3	74.6	142.7
Municipalities	3.4	0.7	—	0.7	1.9	13.5	0.4	16.1	51.8
Enterprises	54.8	10.9	11.6	20.6	29.5	18.1	19.5	34.4	48.9
Agriculture	7.6	1.1	1.7	3.1	3.3	10.8	18.9	33.8	35.8
Fishing	22.2	4.2	5.4	9.3	14.0	22.9	28.5	45.4	62.4
Commerce and services	10.8	2.9	2.4	3.6	4.9	22.1	17.9	27.0	38.2
Manufacturing	9.3	1.2	2.5	3.3	4.3	10.4	22.6	28.7	39.6
Other	4.9	1.5	-0.5	1.3	3.0	21.7	-6.7	23.8	60.2
Households	24.8	6.5	7.6	9.5	9.5	21.9	24.7	29.5	30.6
For residential construction	21.9	6.0	7.3	7.9	8.5	23.2	26.9	27.5	31.2
Other	3.0	0.5	0.3	1.6	1.0	12.7	8.2	43.5	25.6
<i>By sources:</i>									
Banking system	53.6	10.1	8.4	20.2	35.0	19.9	16.3	40.2	66.2
Central Bank	5.5	-0.2	-2.1	2.6	6.5	-54.1	..	..	366.1
Deposit Money Banks	48.0	10.3	10.5	17.6	28.5	22.0	19.8	32.5	49.0
Investment credit funds	28.2	6.1	8.0	9.6	9.1	14.9	20.2	24.1	24.7
Pension funds	8.4	2.1	2.9	3.6	3.6	24.8	32.6	36.9	36.0
<b>Total credit</b>	<b>90.2</b>	<b>18.2</b>	<b>19.3</b>	<b>33.5</b>	<b>47.8</b>	<b>18.3</b>	<b>19.3</b>	<b>33.5</b>	<b>47.8</b>

1 The figures show the change in credit by uses and sources in relation to total credit outstanding at the beginning of the year. Due to rounding, contributions may not always add to total growth of credit.

2 Provisional data.

Sources: Central Bank of Iceland, Annual Report 1973 and 1974; direct Icelandic communication to the OECD.

requirements for important industries, mainly the fisheries and agriculture, and enabled partial automatic financing of last year's heavy stockbuilding of export goods. Moreover, the overdrawing by the Treasury of its account with the Central Bank to help finance the public sector deficit added to the growth of the money supply and the credit expansion. Finally, there was a considerable increase in the velocity of circulation of money. The increase in interest rates may have contributed to this development, but probably more important was the increasingly high level of inflationary expectations.

Credit from non-bank financial institutions (investment credit funds and pension funds) also increased sharply last year. Investment credit to industry rose only moderately (by some 10 per cent) but that was due to exceptionally high loans from the Fisheries Loan Fund in 1973 to purchase new trawlers. The non-bank financial institutions constitute an important part of financial intermediation on Iceland. By the end of 1974 they accounted for one-third of total credit to the economy. The role of investment credit funds has been rapidly increasing over the last three to four years and they have an important influence on economic development. The investment credit funds are financed through earmarked taxes and other government transfers, and own borrowing from domestic and foreign sources. Borrowing requirements are to some extent co-ordinated under the Development Fund, through which a certain Government influence is exercised on their operations. It is also possible to underline Government priorities through the transfers. But on the whole they seem to maintain an important degree of autonomy which complicates the setting of economic policy. Last year the funds' revenue from transfers increased sharply—primarily due to automatic revenue increases from earmarked indirect taxes. Development Fund financing of the investment credit funds in 1974 was cut by 25 per cent by Government decision in May, which considerably reduced the funds' lending capacity. In the event, credit granted by the credit funds increased by 25.2 per cent. Pension funds only account for one-fourth of credit from non-bank financial institutions, but they provide an important part of credit for residential construction.

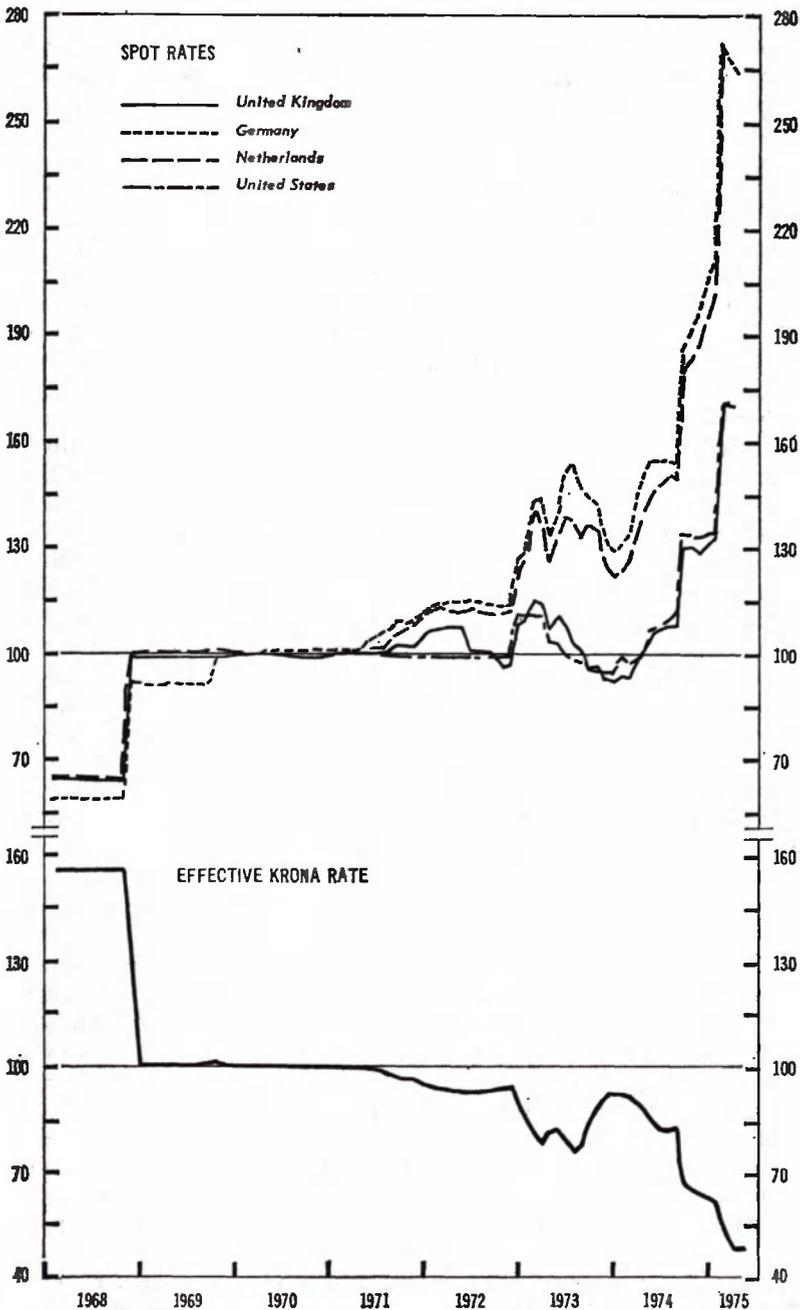
The failure to restrain the growth of credit within the 22 per cent target ceiling in 1974, represented a major weakness of monetary policy. Recent monetary developments in 1975 suggest a more successful policy stance. In February, the commercial banks agreed with the Central Bank that credit, apart from rediscounts, should not increase for a three-month period. This target was achieved, and in June it was agreed to extend the no-growth ceiling until the end of the year. But the reduced demand for credit was an important factor in the success of policy. To support the credit policy, the average reserve requirements of deposit money banks were increased in February from 22 to 23 per cent retroactive to 1st January, thereby reactivating the 30 per cent marginal reserve requirements. In an attempt to improve the control of credit, the Government has recently initiated work on a comprehensive credit budget which will be considered by Parliament at the same time as the 1976 budget proposals.

#### *Exchange rate adjustments*

Since the beginning of last year the krona has been adjusted downwards at an unprecedented speed. During 1974 the effective krona rate depreciated by 31.7 per cent. By the end of March this year the effective rate had depreciated by 45.5 per cent from a year earlier<sup>20</sup>. This development followed the April 1973 appreciation

<sup>20</sup> This refers to the conventional definition of the effective exchange rate in terms of foreign currency per krona. To assess the impact on domestic prices, it is more useful to consider the change in the average krona price per unit of foreign currency; this totalled 46.4 per cent during 1974 and 83.5 per cent from end-March 1974 to end-March this year.

Diagram 5 The Effective Krona Rate and Selected Spot Rates Indices, 1st quarter 1970 = 100



NOTE Spot rates are end of month figures, expressed in kronur per unit of foreign currency. The effective krona rate is a trade weighted average (1972 weights) of krona spot rates vis-à-vis currencies of Iceland's trading partners (expressed in units of foreign currency per krona).

Source: OECD, Main Economic Indicators; Secretariat estimates.

of the krona in response to the favourable terms of trade. From the opening months of last year the oil price increase and slack demand for Icelandic exports, together with the domestic demand boom, exerted pressure on the foreign exchange position. A controlled float, involving only minor changes in the krona-dollar rate, brought the krona downward from February onwards vis-à-vis most European currencies. Partly forced by speculation which boosted imports, the krona was devalued against the United States dollar by 4 per cent in May. Demand-management measures were proposed to the Althing to support the adjustment, but failed to gain acceptance. The krona again came under heavy pressure in August due to speculation about a depreciation and uncertainties regarding general economic policy. Foreign exchange transactions were suspended for ten days after which the krona was devalued against the United States dollar by 17 per cent. The krona was subsequently appreciated slightly against the dollar to offset the deterioration of the dollar vis-à-vis most European currencies. However, foreign demand for Icelandic exports continued to weaken and measures taken after the August devaluation were not sufficient to prevent an acceleration of imports. By February this year foreign exchange reserves were almost exhausted and the krona was again devalued against the United States dollar, this time by 20 per cent.

Partly as a result of deteriorating terms of trade and the high rate of domestic inflation, this policy has in itself been highly inflationary. The devaluations were, at least as far as the February 1975 adjustment was concerned, inevitable to the extent that reserves had been exhausted. But the continuing depreciation of the krona has only been an alternative to other policy measures, generally with an earlier intervention required. The objectives of the exchange rate policy seem to have been, firstly, to help transmit a negative impact on disposable incomes following the loss in real national income from terms of trade deteriorations. This should have an income effect on imports, and, possibly, a substitution effect in favour of domestic products. And secondly, to improve the competitive position of the export sectors, mainly the fisheries. By obtaining higher export revenue in kronur terms this sector should be better able to meet domestic costs, such as wages and amortisation of domestic debt<sup>21</sup>. However, the use of exchange rate adjustments has had an adverse impact on other policy objectives, particularly that of price stability, which might have been avoided to some extent by a different policy mix.

### *Price and incomes policies*

Price controls, in force during most of the post-war period, remained tight during last year by several prolongations of a "price freeze". The Price Control Board announced increases in wholesale and retail mark-ups in March last year and in April this year<sup>22</sup>. To cushion the impact of higher import prices following the devaluations in August and February, all mark-ups were modified as a general rule to be applied only to 30 per cent of the effect of the devaluations. Unfortunately, information is very scarce on the success of this policy. Requests for price increases over and above the general mark-ups, and above maximum prices for services, have reportedly been submitted in a large number to the Price Control Board<sup>23</sup>. Agricultural prices, very important because of their heavy impact on

21 Recent devaluations have been followed by legislation providing for appropriation of exchange rate gains on export stocks of fish products to be transferred within the fisheries.

22 In March last year wholesale and retail mark-ups were increased by 7 and 10 per cent respectively, and in April this year all mark-ups were increased by 12 per cent on average.

23 The Board is composed of 4 members from trade unions, 4 from employers' federations and a Chairman appointed by the Ministry of Commerce. Requests can generally be reduced or delayed, but are rarely completely turned down.

the cost of living, have been revised frequently to compensate for higher costs<sup>24</sup>. As mentioned elsewhere in this Survey, these increases have largely been by subsidies in order to reduce the current need for compensation to wage earners and as steps by Government to temporarily abolish wage indexation.

Traditionally concentrated on the fisheries, incomes policies have constituted an important element in mitigating undesired movements in wages and profits resulting from fluctuations in export revenue. The experience over the last couple of years has not been very promising, however. The acceleration of world market prices for Icelandic fish products in 1973 was very soon passed on to the basis prices for the operations of the Fisheries Price Equalisation Fund<sup>25</sup>. Payments into the Fund continued to be very modest compared with the increase in revenue of the fisheries in 1973. Following the decline in export prices last year, FPEF basis prices were adjusted downwards, but the funds are only expected to be sufficient to support revenue over a very short period, with the present level of basis prices. The situation is particularly critical for capelin, where funds have been exhausted in the first half of 1975. Thus, instead of dampening medium-term fluctuations in revenue the FPEF has so far only provided a short-term stabilisation of prices. In September last year the quota for FPEF payments was raised from 50 to 75 per cent of the difference between the basis price and the market price, thereby increasing the potential strength of this instrument. An important shortcoming in the present situation still remains to be solved, namely the fact that FPEF operations are limited to price fluctuations only, while movements in the volume of catch or exports are not offset.

Another part of income regulations in the fisheries is the special export duties earmarked for purposes such as the Capitalisation Fund for Fishing Vessels and the Insurance Fund. In September last year payments to these funds were increased and a new fund, the Oil Fund for Fishing Vessels was established. Financed by export duties (4—5.5 per cent according to category) the Fund subsidises fuel oil prices. Since Iceland is essentially a price taker, these export duties are totally carried by the fisheries itself and the impact is therefore limited to redistribution of income within the sector. This is possible by allowing for certain cost of fishing operations to be centrally funded so that the export revenue is reduced accordingly. The need for revisions of raw fish prices and the very rigid, politically sensitive share system between crew and vessel owners is consequently reduced. The oil price increase in 1973 caused the export levy system to be extended substantially. The system is now being studied by the authorities to see how its role may be reduced and thereby avoid possible distorting effects on resource allocation and cost efficiency in the industry.

In the more recent period, the Government has increasingly used fiscal policy measures as part of a total policy package aimed at reducing the rate of wage increases. As noted earlier, wage indexation was suspended temporarily from May 1974 and under the June 1975 settlement remains suspended until December this year<sup>26</sup>. Due to the high rate of inflation the overall outcome of the recent settlement implies a substantial decline of real disposable income in the current year. While the renewed efforts of the authorities to restrain wage increases are to be welcomed,

---

24 See Annex for details.

25 Agreements between the fishing fleet and the fish processing industry regarding raw fish prices are not usually subject to Government control, but there is a frequently used arbitration mechanism in which a Government appointed Chairman has the casting vote. But FPEF basis prices and the quota of the difference between basis prices and actual export prices to be paid into (or from) the FPEF are subject to approval by the Ministry of Fisheries. This important instrument permits—at least in principle—a regulation of income in the fisheries over time. For details regarding the operations of the FPEF, see page 29 of the 1972 OECD Survey of Iceland.

26 See page 12 and Annex for details.

it remains to be seen whether the initiative will continue to be successful. In particular, it seems that the effect of exchange rate policy may run counter, to some extent, to efforts on the incomes side.

### III PROSPECTS AND POLICY CONSIDERATIONS

#### *Short-term prospects*

The available data on the development of the economy indicate that 1975 is a difficult year for Iceland. Both demand and output are expected to fall substantially, the current external deficit, while improving, is likely to be large, and inflation remains a major problem. The terms of trade have substantially deteriorated for the second consecutive year. In assessing prospects for 1976, on the basis of unchanged policies, recent trends in the current external account seem to be of particular importance. Largely reflecting weak domestic demand, import volumes fell sharply in the first half of 1975. With import prices in dollar terms rising by about 10 per cent above the 1974 average, import volumes may have fallen at an annual rate of about 17 per cent in the first half of 1975, which is in line with the official forecast. As domestic demand is expected to remain depressed in the second half of the year, and may weaken further, it is likely that the 16½ per cent forecast fall in the volume of imports (see Table 6) will be achieved.

The major difficulty is the export side, which has been much weaker than the authorities expected. The prolonged trawler strike in mid-year reduced the catch, as did the imposition of quotas for the North Sea herring fisheries and the collapse of the Japanese market for frozen capelin. These were the main factors prompting the authorities to reduce the forecast of production from 4 to 2 per cent. While stocks of fish products are at a high level, an improvement in exports in 1975 will depend mainly on a recovery in world demand in the second half of the year, the prospects for which are very uncertain. In the first five months of the year, the volume of exports fell by around 6 per cent, and export prices by about 5 per cent from the 1974 levels. Developments in the first half of the year have led to the official forecast published in April of a 13½ per cent rise in the volume of merchandise exports to be revised down to 5½ per cent. In addition to the sluggishness of world demand, exports of fish products have been adversely affected by the increased use of protective trade barriers by many countries. The measures have included substantially increased subsidies, higher tariffs, import deposit schemes, export subsidisation and straightforward landing bans. After taking account of these factors, and in view of recent trends, the revised estimate of 5½ per cent may be a little optimistic. Thus the improvements in the trade and current account deficits for 1975 are unlikely to be as substantial as those shown in Table 7.

Turning to 1976, the outlook for imports will depend to a large extent on the success of the June incomes settlement in achieving wage moderation and on the policies which will come into force in December. Real personal disposable income is expected to fall substantially in the second half of 1975, which should ensure that the demand for imports remains weak into 1976. On the assumption that the December settlement will be similar to the June settlement and that the stance of demand-management policies is restrictive, the volume of imports in 1976 may well fall below the 1975 level. After allowing for price rises in dollar terms a little higher than those expected in 1975, it is not improbable that the value of imports may remain about unchanged, or rise slightly. With world demand expected to pick up next year, a considerable improvement in Icelandic export values could

occur. Although the improvement may be mainly on the volume side, export prices could rise in line with import prices, leaving the terms of trade approximately unchanged. If exports do pick up relatively as well as expected, the current external deficit should be reduced.

Progress in reducing the extremely high current rate of inflation will also have an important bearing on developments in the economy. A further slowdown in wage rises is expected to occur in the second half of 1975, but with real incomes reduced substantially there is a possibility that pressures to compensate for past losses will be strong at the time of the next wage negotiations due at the end of this year. If this occurs and large compensating claims are successful, domestic cost pressures will remain strong. This could force the authorities into further large devaluations which would aggravate the problem. Whether devaluations can be avoided, depends largely on decisions about support for the fisheries and on the pressure of domestic costs and demand. If such support is minimised, restrictive demand-management policies are pursued, and the growth of incomes is kept in line with price rises, a substantial reduction in the recent rate of inflation of almost 50 per cent may be achieved; indeed, the rate of inflation could be halved next year. However, the task will not be easy and will require the full support of employers and employees.

The outcome of the next round of wage negotiations will clearly have an important bearing on the pattern and strength of domestic demand in 1976. The large fall in real incomes this year will probably ensure little changes in consumer spending in the early part of the year. Thereafter, a wage settlement which maintained real incomes unchanged, would hold the decline in private consumption which by then will have lasted around eighteen months. Public consumption this year is expected to be the same in real terms as in 1974. The 1976 budget proposals suggest that the volume of current public spending will be at about the same level as in 1975. Public investment, on the other hand, will probably continue to be buoyant, reflecting largely expenditure on energy projects. Private fixed investment, however, may remain sluggish. If there is little or no recovery in private consumption, a further slowdown in manufacturing might be expected. At the same time, residential investment is unlikely to show any marked increase. If the main components of demand follow broadly the patterns above, final domestic demand next year would be unchanged, or perhaps fall a little. A recovery in export volumes as described above would be initially reflected in a rundown of stocks followed by increasing production, depending on the availability of fish. Thus, on the basis of the assumptions used, the real gross national production could be expected to rise somewhat in 1976, possibly restoring about half the fall expected for this year.

### *Policy considerations*

Undoubtedly the principal problem facing the Icelandic authorities is inflation. During the post-war period, Iceland has had the highest rate of inflation among Member countries, but until the recent acceleration of prices to a rate of about 50 per cent, the institutional arrangements devised to limit the distortions caused by inflation to a minimum, seem to have worked reasonably well. As stressed in last year's OECD Survey of Iceland, however, the rapid inflation which has developed recently provides grounds for questioning whether existing adjustment procedures would prove to be effective. A further year's experience suggests that they have not been and that inflationary developments have given rise to critical policy impasses which may require greater emphasis being given to the objective of improved price stability.

Given the openness of the economy and the one-sidedness of its exports, the problem of coping with destabilising external influences is probably more difficult for Iceland than for most other Member countries. Powerful and flexible policy responses are therefore essential. As pointed out in earlier OECD Economic Surveys of Iceland, it seems that major improvements in policy-making are required if a durable reduction in the rate of inflation is to be achieved.

First and foremost there is a need to reduce the impact on growth and inflation of the large fluctuations of earnings in the fishing industry which are a major source of instability. Sharp increases in these earnings create claims for income increase in the rest of the economy for which there may be no basis, while the measures traditionally taken to sustain earnings in a downturn have been highly inflationary. The Fisheries Price Equalisation Fund established in the early seventies to smooth the earnings of the fishing sector over time, was a step in the right direction, but the Fund has been operated in such a way that its influence during the boom of 1971 to 1974 was modest. In 1973, for example, payments into the Fund were too small to prevent a sharp increase in incomes in the fishing sector and subsequent claims for similar increases in other sectors. Large outpayments from the Fund in the depressed conditions of 1975, however, have helped to cushion the fall in demand and to sustain employment in the export sector. A major reform of the Fund, significantly increasing its stabilising effects—or the introduction of other mechanisms to this end—would seem to be required. While recognising that there may be some opposition to improving the operation of the Fund for stabilisation purposes, the social and economic benefits which would arise therefrom would seem to warrant careful appraisal of the political considerations. Indeed, the substantial benefits received by the export sector in the recent period indicates that a reappraisal of the potential role of the Fund in periods of rapid growth, would be appropriate at the present time.

A second essential requirement is for more effective monetary and fiscal management. On the monetary side, use of a more active interest rate policy has probably contributed to the recent success of the Central Bank in restricting the growth of credit within narrow limits. The demand for credit has probably weakened recently, and it has yet to be demonstrated that another bout of rapid credit expansion can be avoided when domestic demand pressures strengthen. A major weakness in this context is the lack of direct control by the Central Bank on the operations of non-bank financial institutions, a point stressed in last year's Survey. It was noted that the lending activities of these institutions were an important factor explaining the excess demand conditions of 1973 and 1974. Clearly, a repetition of the earlier exorbitant growth of non-bank credit would be undesirable in the recovery phase and it would seem essential that direct controls be extended to cover the non-bank financial institutions if monetary policy is to be used as an effective counter-inflationary weapon. The recent announcement that a comprehensive credit budget for 1976 is to be presented to Parliament is welcome and may prove to be an important move in improving monetary management if accepted by Parliament.

As regards fiscal policy, there seem to be two main areas of concern. First, there is the control of public expenditure. Despite the reforms of October 1973 which gave the central government improved control of total public finance, difficulties continue to be experienced. Largely reflecting the effects of accelerating inflation, the last two years have witnessed substantial increases in government expenditure over and above the budget estimates. As noted above, the Government acted in July to cut the growth of public expenditure which seems to have been appropriate in terms of stabilisation policy, but a more effective longer-term solution to the problem of budgetary control would seem to call for a thorough-going reappraisal of existing methods. Secondly, the management of the economy

would be improved if agreement could be reached on the desirability of introducing a full PAYE system of income taxation collection, a point made in earlier OECD Surveys.

In addition to the inflation problem, high priority also needs to be given to reducing the current external deficit. Although the deficit in 1976 seems likely to be lower than in 1975, it is nevertheless expected to be large, perhaps to the extent of 5 to 6 per cent of GNP. At the same time, the external reserve position is very weak, and there is a relatively big and growing debt servicing burden. These external considerations would seem to leave no scope for increasing domestic demand. However, success in achieving a durable reduction in the rate of inflation and better external balance would make room for reflationary action to maintain continued full employment. It is to be hoped that the necessary restraint on the growth of private real disposable incomes can be achieved through considered policy measures and reasonable income settlements accompanied by slower inflation, rather than renewed acceleration of price rise. In this context, forthcoming income policy negotiations would seem to offer a valuable opportunity to capitalise on the recent marked deceleration in both prices and wages.

**BLANK PAGE**

*Annex*

## CHRONOLOGY OF MAIN ECONOMIC POLICY EVENTS

JANUARY 1974 - OCTOBER 1975

## 1974

*January*

Tariffs reduced in accordance with EEC and EFTA agreements.

Prices of alcohol and tobacco raised by 25 and 5 per cent respectively.

Raw white fish prices for period January-May raised by 11.5 per cent on average. FPEF reference prices for frozen and salted white fish for same period raised approximately in line with expected market prices.

Capelin prices for freezing and reduction raised by estimated average 92 and 77 per cent respectively. At same time, Government decided to impose new 5 per cent export levy on all capelin products, with proceeds to subsidise fuel oil for whole fishing fleet. FPEF reference prices for capelin season imply some payments to the Fund (possibly of order Kr. 100-200 million).

Central bank purchase of Kr. 300 million worth of Treasury bills for release to deposit money banks.

*February*

Court of Arbitration decides on the pay dispute between Federation of University Graduates and Treasury. Initial basic pay increase of 3 - 4 per cent followed by 3 per cent on December 1, 1974 and on September 1, 1975. Indexation clause unchanged.

Federation of Labour and Employers' Federation sign new two-year "frame" agreement (for period February 26, 1974 - March 30, 1976) providing for initial average general increase in basic rates of about 12 per cent, special increases for lowest-paid and reclassification of jobs (altogether bringing initial pay increase up to about 20 per cent on average). Further 3 per cent general increases on December 1, 1974 and June 1, 1975. Agreement covers directly about 60 per cent of total wage bill and indirectly additional 10 per cent. Subsequent settlements by individual unions (particularly of skilled workers) tended to exceed frame agreement provisions—in many cases by 5 to 10 per cent for initial pay increase. Indexation clause unchanged except for exclusion of changes in alcohol and tobacco prices from compensation index.

Prices of capelin for reduction cut by 10 per cent. FPEF reference prices unchanged.

*March*

Prices to farmers raised by 18 per cent, of which 14.3 percentage points due to 26.9 per cent increase in imputed wage component (19.5 per cent following new wage agreement and 6.2 per cent due to increase in wage compensation index).

Revised wage compensation index under new wage agreement (basis February 1974: 100 = old index 149.89) rises to 106.18.

For 12-month period starting March 1, 1974 the 2 per cent supplement to general sales tax accruing to Vestmannaeyjar Emergency Fund reduced to 1 per cent. In the same period new 1 per cent sales tax to be levied, with proceeds to reduce effects of oil price rise on cost of heating dwellings. Price effects of this new tax excluded from wage compensation index.

Amendments to legislation on customs duties, involving mainly reduction in tariffs on machinery and raw materials and—consequent upon tariff changes according to EFTA and EEC trade agreements—reduction of various fiscal tariffs (e.g. on imports from third countries).

Price Control Board announces average increases in wholesale percentage markups of 7 per cent and in retail percentage markups of 10 per cent.

State Lottery Bonds for Kr. 250 million sold through Central Bank to Finance ring-road project.

To facilitate February incomes settlements, Government agreed with unions on certain changes in taxation and housing policy fields, that were effected by legislation:

- (i) State personal income tax reduced through increasing personal allowances, raising tax brackets, reducing marginal tax rates (maximum rate lowered from 44 to 40 per cent) and introducing tax credits. Net effect on revenue estimated at Kr. 3 400 million reduction (annual rate). Tax credits exceeding State income tax primarily intended to offset other State or local taxes, but may be paid out under certain circumstances.
- (ii) General sales tax increased by 4 percentage points (effective March 25) to offset cost of (i) above. Resulting price rises excluded from wage compensation index.
- (iii) Payroll tax increased by 1 per cent (effective April 1), proceeds to accrue to State Building Fund to finance construction of dwellings especially for lower-paid.

Tobacco prices increased by 10 per cent.

### *April*

Wage agreement between Treasury and Federation of Public employees and Federation of University Graduates, providing for Kr. 1117 increase in basic monthly salary rates as of April 1.

### *May*

Krona devalued by 4 per cent vis-à-vis US dollar.

Wage agreement between merchant marine mates and shipowners for period to September 1, 1976 (thus ending 19 days strike by officers) providing for initial increase of 22 per cent in basic rates and further increases in three subsequent instalments of 3 per cent each.

Wage agreement between printing unions and employers for period to April 1, 1976 (thus ending 43 days strike) providing for initial increase of 35 per cent in basic rates and further instalment increases as for Federation of Labour agreement (see under February).

Special agreements concluded separately with all unions within Federation of Public Employees and most unions within Federation of University Graduates, providing mainly for reclassification of jobs. Together with initial increases under wage agreement (see under February) estimated effect is to raise income on average for all public employees by just under 20 per cent, with slightly higher increase for lower paid.

Package of stabilisation measures introduced:

- (i) Provisional legislation enacted:
  - (a) Freezing till August 31, 1974: Raw fish prices; wage compensation index; wage component of standard farm account (on which agricultural price reviews are based).
  - (b) Strict price control should be maintained until August 31.
  - (c) Provisions for indexing loans granted by Investment Credit Funds from proceeds of index-linked bonds purchased under special agreement by pension funds or of index-linked Government Savings Certificates.
- (ii) Introduction of import deposit scheme for period up to end-September 1974, covering about one-half of merchandise import payments. Importers required to deposit 25 per cent of value of imports in blocked account with Central Bank for 90 days, on which interest at 3 per cent (annual rate) paid. Exceptions cover mainly ships, aircraft, basic foodstuffs, fertilizers, industrial raw materials, fishing gear, and petroleum products as well as items imported against credit exceeding 12 months.
- (iii) Consumer subsidies increased by Kr. 180 million per month (i.e. at annual rate of Kr. 2 160 million). Effect estimated to reduce new wage compensation index (base February 1974 = 100) by 8 points.
- (iv) Development Fund financing of Investment Credit Funds for 1974 reduced by 25 per cent.
- (v) Agreement between Central Bank and commercial banks on 22 per cent target ceiling rate of increase for bank lending during 1974. Central Bank penalty interest rate on "lender-of-last-resort" loans raised from 16 to 18 per cent.
- (vi) Special automobile tax raised from 25 to 35 per cent (cif value) for passenger cars and from 15 to 20 per cent for other categories, to yield estimated Kr. 180 million (annual rate).
- (vii) Alcohol and tobacco prices raised by 15 per cent to yield estimated Kr. 550-600 million (annual rate).

Government savings certificates of Kr. 400 million issued for financing public investment.

### July

Bank deposit and lending interest rates raised by 4 percentage points (however, rate for rediscountable producer bills raised by only 1 percentage point). Rate for general savings accounts now 13 per cent and for 12-month savings accounts 16 per cent.

### August

Central Bank penalty interest rate on "lender-of-last-resort" loans raised from 18 to 24 per cent.

Prices to farmers raised by 9.5 per cent, mainly to cover 45 per cent increase in cost of fertilizers.

Parliament confirmed provisional stabilization legislation enacted in May and extended its validity to end-September.

Krona devalued by 17 per cent vis-à-vis US dollar after eight days suspension of foreign exchange dealings.

Legislation enacted providing for exchange rate gains on fish stocks due to devaluation (estimated at Kr. 1 650 million) to be appropriated for subsequent transfer within fisheries sector. Part (estimated at Kr. 850 million) earmarked for:

- (i) Payment of increases (due to devaluation) in freight costs.
- (ii) Offsetting exchange rate losses of Fisheries Price Equalisation Fund.
- (iii) Payment of oil subsidies to fishing fleet during June-September 1974.

### September

First reduction in step-wise abolition of import deposit scheme. Deposit rate reduced from 25 to 20 per cent, with four reductions of 5 percentage points each to follow at monthly intervals from end-September.

Price Control Board decision that percentage markups should only be applied to 30 per cent of higher import costs due to the devaluation.

Petrol tax raised by 60 per cent (from 10 to 16 kronur per litre) and road taxes on diesel vehicles raised correspondingly. Yield estimated at Kr. 700 million (annual rate).

Provisional legislation enacted concerning fisheries sector:

- (i) "Oil Fund for Fishing Vessels" established to subsidise fuel oil costs to fishing fleet. Financed by special 5.5 per cent export levy on fob value of salt and stock fish and 4 per cent on other fish exports. Estimated yield of levy ca. Kr. 1 230 million (annual rate).
- (ii) Maximum rate of payments and receipt of Fisheries Price Equalisation Fund raised from 50 to 75 per cent (of difference between market and reference prices). Move designed to help freezing plants to which payments are expected to accrue.
- (iii) Balance of funds appropriated from devaluation gains on fish stocks after meeting earmarked payments (see under August) to be mainly paid to owners of stern trawlers to meet interest and amortisation payments of foreign loans and to fish-processing firms.
- (iv) Raw fish prices not to be raised by more than 11 per cent on average for period from September 1 to no sooner than December 31.
- (v) Volume export duty on marine products raised by 40 per cent (equals approximately increased cost of foreign currency since beginning of year) to meet higher insurance value of vessels. Annual yield estimated at extra Kr. 130 million. Share of export duty revenue (excluding special Oil Fund levy) accruing to Insurance Fund for Fishing Vessels raised from 85 to 87.8 per cent, yielding extra Kr. 20 million (annual rate).
- (vi) Allotment accruing to Capitalisation Fund for Fishing Vessels set at 15 per cent of value (before share allotment) of all catch landed at home (instead of 10 per cent previously, except for herring where rate reduced from 20 per cent) and corresponding change for landings abroad. This change in capital allotment implies increase in average allotment (and so of raw material costs of fish-processing industry) of 4.6 per cent.

Consumer subsidies reduced by Kr. 500-600 million (annual rate).

Prices to farmers raised by 2.4 per cent, owing mainly to increased capital costs.

### October

Various indirect tax rates and charges raised:

- (i) General sales tax by 2 percentage points to yield estimated Kr. 1 800 million (annual rate).

- (ii) Regional price equalisation tax on electricity converted from lump-sum addition to 13 per cent tax on retail price, to yield estimated Kr. 380 million (annual rate).

Incomes and prices policy legislation (valid till May 31, 1975) comes into force:

- (i) Wage indexation system replaced by pay equalisation scheme for low-income recipients. Compensation payments amount to Kr. 3 500 per month on ordinary-time earnings up to Kr. 50 000 per month, with sliding scale reduction thereafter up to monthly income of Kr. 53 500 at which equalisation payments cease. Total wage and salary bill for the whole country is expected to increase by 6-6½ per cent. For lowest earnings the increase will amount to some 10 per cent. Provision, however, for review of scheme if cost of living index increase exceeds 358 points.
- (ii) Increase of Kr. 5 000 (to Kr. 20 000) in annual family allowance per child. Estimated cost Kr. 280 million (annual rate).
- (iii) Increase in guaranteed income limits for old-age and disabled pensioners by 10 per cent; i.e. by estimated amount of increase in lowest wage earners' income due to pay equalisation scheme listed under (i) above. General pension rates raised by 6 per cent; i.e. by estimated amount of increase in total wage and salary payments due to pay equalisation scheme listed under (i) above.
- (iv) Consumer subsidies not to be reduced during currency of legislation.
- (v) Existing price control provisions (i.e. "strict price surveillance") to remain in force.

Sale through the Central Bank of Kr. 80 million worth of State Lottery Bonds for financing road construction.

#### November

Sale through the Central Bank of Kr. 150 million worth of State Lottery Bonds.

#### December

Wage rates increased by 3 per cent as provided in February agreement.

Prices to farmers raised by 9.7 per cent, owing mainly to pay equalising compensations for low-income recipients (see October), the 3 per cent rise in wage rates on December 1, and higher cost of feed.

Consumer subsidies raised to offset 3 per cent wage increase in standard farm account. Estimated cost: Kr. 110 million (annual rate).

Average alcohol and tobacco prices increased by 15 and 10 per cent respectively.

Legislation on appropriation of exchange rate gains due to the August devaluation confirmed by Althing with certain alterations:

- (i) Exchange rate losses of FPEF will not be covered as originally decided (see August).
- (ii) Owners of fishing vessels with foreign debt partly compensated for higher amortization costs by grant of Kr. 600 million.
- (iii) Operating losses of smaller vessels in 1974 covered by grant of Kr. 250 million.
- (iv) Stern trawlers supported by Kr. 230 million.

Tax index, regulating personal allowances and tax schedule, increased by 51 per cent for 1975 personal income taxes. The increase corresponds to estimated increase in personal incomes in 1974.

Effective from January 1, 1975, imported machinery for use in import competing industries exempted from sales tax according to provision in the 1975 Budget. Estimated loss of revenue in 1975 Kr. 100 million.

Real estate tax index for 1975 increased from 145 to 200.

Oil Facility borrowing from IMF amounting to SDR 15.5 million (leaving SDR 1.7 million of 1974's allocation under Oil Facility). The loans carry a 7 per cent interest rate and run over 7 years with no payments during the first three years.

## 1975

### January

Tariffs reduced in accordance with EEC and EFTA agreements.

Central Bank purchase of Kr. 300 million worth of Treasury bills for release to deposit money banks.

First issue (1964) of Government Savings Certificates fell due at an estimated redemption cost of Kr. 700 million, for which amount the Treasury had provided in the 1975 budget.

Government issue of Savings Certificates for the financing of public investments (Kr. 910 million sold in the period January-June).

Capelin prices for reduction reduced in line with falling world market prices for fish meal. Share prices cut on average by 40 per cent. New FPEP prices imply payments from the Fund to the effect of exhausting deposits on the capelin meal account during this winter season.

### February

Pay equalisation scheme (see October) up for review since cost of living index reached 372 points or 14 points above threshold.

Capelin prices for freezing reduced by 63 per cent.

Krona devalued by 20 per cent vis-à-vis US dollar after two days suspension of foreign exchange dealings.

Price Control Board decision that percentage markups should only be applied to 30 per cent of higher import costs due to the devaluation.

Legislation providing for appropriation of exchange rate gains on export stocks of fish products to be transferred within the fisheries.

Raw white fish prices changed to more progressive price setting by size, implying increased share prices of 14-15 per cent. New FPEF prices imply payments from the Fund of some Kr. 1 100 million for frozen products and approximately the same amount in receipts for salt fish.

Capelin prices for reduction increased by 25 per cent. New FPEF prices imply—as decided in January—exhaustion of deposits during this season.

For 10-month period starting March 1, 1975, the 1 per cent supplement to general sales tax accruing to Emergency Fund increased to 2 per cent. Total yield of 2 per cent estimated at Kr. 1 750 million of which 68 per cent is earmarked for Vestmannaeyjar and the rest is earmarked for Nordfjörður (to compensate for damages by avalanche in December 1974). Extension until February 29, 1976, of 1 per cent to sales tax to cover higher cost of heating dwellings and to finance geothermal heating. Both additions are excluded from wage compensation index.

Automobile tax raised from 35 to 50 per cent and from 20 to 25 per cent of cif value for passenger cars and other cars respectively.

Alcohol and tobacco prices raised by 15-25 and 15 per cent respectively. Estimated yield Kr. 350 million (annual rate).

Agreement between Central Bank and commercial banks on zero rate of increase for bank lending (excluding rediscounts of produce bills and lending to the Development Fund in accordance with prevailing agreement whereby commercial banks lend an amount equivalent to 10 per cent of the increment of their total deposits) for three-month period beginning March 1. Average reserve requirements for deposit money banks increased from 22 to 23 per cent, effective retroactively to January 1.

### *March*

Prices to farmers and retail prices of agricultural products raised by 5.6 and 6-7 per cent respectively.

Consumer subsidies raised by Kr. 200 million (annual rate) lowering cost of living index by 1½ points.

Provisional agreement between Federation of Labour and Employers' Federation covering period March-May. Ordinary time monthly earnings up to Kr. 69 000 increased by Kr. 4 900, with sliding scale reduction up to earnings at Kr. 73 900. This implies 13 per cent increase for lowest paid and 10-11 per cent increase on average for those covered by the agreement.

### *April*

Wholesale and retail percentage mark-ups raised by 12 per cent on average.

Fiscal policy package passed by Althing:

- (i) Authorisation for Government to cut expenditure by Kr. 3 500 million in 1975.
- (ii) Reduction of direct taxes by Kr. 1 000 million and Kr. 400 million for central and local government respectively.
- (iii) Tax credit system extended to include personal allowances deductible from taxable income and family allowances previously paid by social security system.
- (iv) Reduction of indirect taxes, mainly on food, amounting to some Kr. 850 million (annual rate).
- (v) Special airport tax of Kr. 2 500 and Kr. 350 per passenger to abroad and on domestic flights respectively. Estimated yield Kr. 200-250 million in 1975.
- (vi) Compulsory savings scheme for higher incomes of 5 per cent of net income above Kr. 1 million and Kr. 1.25 million for single people and couples respectively. Maximum marginal tax and savings rate for 1975 thus increased to 45 per cent and 56 per cent for central government taxes and total taxes respectively.
- (vii) Increased priority to energy projects for public investment and Investment Credit Funds.

### *May*

Confirmation of provisional legislation regarding pay equalising scheme for low-income recipients (see October 1974). The system extended by raising general pensions in accordance with provisional wage agreement of March.

Strict price control to be continued.

Legislation on transfers of exchange rate gains within the fisheries as a result of the February devaluation:

- (i) Grant to owners of fishing vessels of Kr. 950 million to compensate for higher costs of amortization of foreign debt.
- (ii) Grant to Fisheries Lending Fund of Kr. 300 million.
- (iii) Grants of Kr. 350 million to various other funds operating within the fisheries.

Total transfers amounting to Kr. 1 600 million were provided by appropriation law passed in February.

Payments to Oil Fund for Fishing Vessels increased by Kr. 1 400 million (annual rate) by increasing export duties on various marine products by 2-6 percentage points.

Central Bank purchase of Kr. 100 million worth of Treasury bills (the bills purchased in January had by then been absorbed by deposit money banks).

### June

Prices to farmers increased by 13.3 per cent.

Consumer subsidies raised by Kr. 100 million per month to offset estimated increase in retail prices of agricultural products due to higher prices to farmers and other cost increases.

Subsidies to fertilizer introduced. Costs in 1975 estimated at Kr. 600 million.

Alcohol and tobacco prices increased by 30 per cent. Estimated yield Kr. 650 million in 1975.

Agreement between Central Bank and commercial banks on zero rate of growth for bank lending (see February 1975) extended for three months until end-August.

Court Arbitration decision on pay dispute between Federation of Public Employees and Treasury. Until May 1 wage increases according to provisional agreement in March between Federation of Labour and Employers' Federation. Thereafter, the decision stipulates general Kr. 4 900 monthly wage increase for all employees.

New agreement between Federation of Labour and Employers' Federation for the period June 13 - December 31, 1975, providing for immediate increase of monthly earnings of Kr. 5 300 and further increase of Kr. 2 100 from October 1. Maximum pay equalising addition to wages (see October 1974) and provisional increase from March of Kr. 3 500 and Kr. 4 900 respectively now payable to all wage earners. Indexation suspended for the rest of the year unless threshold of 11.9 per cent increase in the cost of living index exceeded from May 1 to November 1. (Excluding rises in alcohol and tobacco prices and wage element of agricultural prices; effective threshold thus becomes an increase in the cost of living index of 14.5 per cent). This agreement was subsequently signed by Federation of Public Employees. Average increase in basic wage rates of all employees estimated to some 10 per cent in June and 3.5 per cent in October.

Prices of raw white fish for period June-September increased by some 11 per cent.

### July

Package of stabilisation measures as result of April provision for Government to cut expenditure:

- (i) Expenditure cuts to a total of Kr. 2 000 million, including public investments (Kr. 660 million), transfers and operational expenditure (Kr. 860 million), and transfers to Investment Credit Funds and local authorities (Kr. 480 million).
- (ii) Introduction of a 12 per cent special temporary excise tax on goods—mainly non-essentials—for the period July 17-December 31, 1975. Estimated yield Kr. 1 850 million.

Central Bank purchase of Kr. 100 million worth of Treasury Bills.

### *September*

Prices to farmers increased by 13.7 per cent.

### *October*

An agreement was reached between the Central Bank and commercial banks to maintain their lending unchanged from end-August to end of 1975.

1976 Budget proposals announced.

Extension of fishing limit from 50 to 200 miles.

**BLANK PAGE**

***STATISTICAL ANNEX***

Table A Supply and Use of Resources  
Kr. million, current prices

	1966	1967	1968	1969	1970	1971	1972	1973 <sup>1</sup>	1974 <sup>2</sup>
Private consumption	16 471	17 469	18 830	21 774	28 014	34 055	42 780	57 424	87 660
Public consumption	2 270	2 505	2 800	3 300	4 050	5 385	7 000	9 200	14 430
Gross fixed asset formation	7 003	7 984	8 725	8 600	10 511	16 050	19 100	28 610	43 230
Change in livestock	-15	-36	-16	-74	-104	167	200	126	44
EXPENDITURE ON FINAL DOMESTIC USE	25 729	27 922	30 339	33 600	42 471	55 657	69 080	95 360	145 364
Change in stocks of export products	87	74	-264	205	-289	1 413	-1 040	-315	3 206
NATIONAL EXPENDITURE	25 816	27 996	30 075	33 805	42 182	57 070	68 040	95 045	148 570
Exports of goods and services	9 091	7 882	9 510	16 132	21 138	22 373	26 205	37 410	48 080
Imports of goods and services	9 412	10 146	12 055	15 741	20 487	26 233	27 960	40 025	63 610
GROSS NATIONAL PRODUCT (market prices)	25 495	25 732	27 530	34 196	42 833	53 210	66 285	92 430	133 040
Depreciation	2 635	3 057	3 962	5 400	6 077	6 777	8 458	11 353	17 285
NET NATIONAL PRODUCT (market prices)	22 860	22 675	23 568	28 796	36 756	46 433	57 827	81 077	115 755
Indirect taxes	5 400	5 655	6 080	6 650	9 370	12 640	15 600	22 560	36 360
Subsidies	1 385	1 800	1 750	1 400	1 600	2 950	3 220	4 230	7 800
NET NATIONAL INCOME	18 845	18 820	19 238	23 546	28 986	36 743	45 447	62 747	87 195
Net income to abroad	202	252	410	612	481	509	890	1 180	1 915
NET DOMESTIC INCOME	19 047	19 072	19 648	24 158	29 467	37 252	46 337	63 927	89 110

1 Provisional.

2 Estimates.

Sources: Central Bank of Iceland, Annual Report; direct Icelandic communication to the OECD.

Table B Supply and Use of Resources  
Kkr. million, 1969 prices

	1966	1967	1968	1969	1970	1971	1972	1973 <sup>1</sup>	1974 <sup>2</sup>
Private consumption	23 643	24 056	22 834	21 774	24 510	27 600	30 415	32 390	34 820
Public consumption	2 947	3 144	3 229	3 300	3 449	3 670	3 890	4 123	4 370
Gross fixed asset formation	10 963	12 285	11 224	8 600	9 272	13 171	13 043	15 670	16 720
Change in livestock	-22	-51	-21	-74	-85	126	125	64	17
EXPENDITURE ON FINAL DOMESTIC USE	37 531	39 434	37 266	33 600	37 146	44 567	47 473	52 247	55 927
Change in stocks of export products	187	121	-475	205	-170	1 225	-912	-414	1 203
NATIONAL EXPENDITURE	37 718	39 555	36 791	33 805	36 976	45 792	46 561	51 833	57 130
Exports of goods and services	16 336	15 057	14 096	16 132	19 095	18 366	20 102	22 114	22 184
Imports of goods and services	18 091	19 352	17 737	15 741	19 932	24 356	24 638	29 449	33 398
GROSS NATIONAL PRODUCT	35 963	35 260	33 150	34 196	36 139	39 802	42 025	44 498	45 916
Effects of change in terms of trade	1 137	-71	-403	—	1 469	2 733	2 805	4 770	3 549
Export income	17 473	14 986	13 693	16 132	20 564	21 099	22 907	26 884	25 733
Income balance of goods and services	-618	-4 366	-4 044	391	632	-3 257	-1 731	-2 565	-7 665
GROSS NATIONAL INCOME <sup>3</sup>	37 100	35 189	32 747	34 196	37 608	42 535	44 830	49 268	49 465

NOTE Estimates of real income coincide with output in real terms on the assumption of unchanged terms of trade. Due to particularly strong fluctuations in Icelandic terms of trade national expenditure in real terms may deviate substantially from real gross national product without adverse effects on the balance of payments. This is explicitly introduced in the Icelandic national accounts, as shown above. The item "Export income", obtained through the deflation of exports with the price index for imports, expresses the external purchasing power of the export earnings, and the difference between this item and exports, normally deflated with the export price index, is a measure of the real income "effects of changes in terms of trade".

1 Provisional.

2 Estimates.

3 Gross national product + effect of changes in terms of trade.

Sources: Central Bank of Iceland, Annual Report; direct Icelandic communication to the OECD.

Table C Production and Employment

		1966	1967	1968	1969	1970	1971	1972	1973	1974
<b>FISHERIES AND FISH PROCESSING</b>										
Production : Value, current prices	Kr. mill.	5 812	4 116	4 090	7 758	9 969	11 746	12 225	20 125	27 119
	Kr. mill.	4 353	3 381	2 860	3 331	3 520	3 309	3 063	3 272	3 295
Fishing fleet <sup>1</sup> , end of year: Trawlers	GRT	22 876	21 491	20 104	16 837	16 981	17 911	20 340	29 810	34 796
	GRT	57 431	64 619	63 955	62 509	61 698	60 984	62 146	62 042	62 982
Total	GRT	80 307	86 110	84 059	79 346	78 679	78 895	82 486	91 852	97 778
Employment in fish processing	1962 = 100	102.3	88.9	87.7	100.9	103.9	109.0	107.0	105.7	
<b>AGRICULTURE</b>										
Production : Value, current prices <sup>2</sup>	Kr. mill.	2 194	2 368	2 598	3 108	3 691	4 673	5 742	7 673	11 264
	Kr. mill.	3 185	3 328	3 229	3 108	3 118	3 409	3 549	3 684	3 815
Capacity <sup>3</sup> : Cultivated grassland	1 000 hect.	88.4	91.7	96.5	100.9	104.5	108.4	111.3	113.8	115.0
Sheep	1 000 heads	846.7	850.2	829.1	820.2	780.6	735.5	786.2	828.6	845.8
Cattle	1 000 heads	59.5	54.5	52.3	52.3	53.4	53.3	59.2	65.3	67.3
<b>MANUFACTURING (exc. fish processing)</b>										
Production, volume <sup>4</sup>	1970 = 100	89.6	85.9	82.0	89.1	100.0	116.4	125.8	136.6	142.1
Employment	1970 = 100	93.7	90.5	86.8	91.9	100.0	106.9	111.2	112.2	
<b>DWELLING CONSTRUCTION</b>										
Started	Number	1 609	2 052	1 041	1 030	1 469	1 833	1 963	3 377	2 640
Completed	Number	1 693	1 787	1 779	1 460	1 329	1 362	1 930	2 220	2 193
Under construction, end of year	Number	3 802	4 067	3 329	2 899	3 039	3 510	3 543	4 672	5 119

1 Including whale-catchers, excluding open boat.

2 Including change in livestock.

3 Beginning of year.

4 Excluding aluminium.

Sources: Direct Icelandic communication to the OECD; Fjarmalatidindi and Hagtidindi.

Table D Gross Fixed Asset Formation  
Kr. million, current prices

	1966	1967	1968	1969	1970	1971	1972	1973	1974 <sup>1</sup>
<b>GROSS FIXED ASSET FORMATION, TOTAL</b>	<b>7 003</b>	<b>7 984</b>	<b>8 725</b>	<b>8 600</b>	<b>10 511</b>	<b>16 050</b>	<b>19 100</b>	<b>28 610</b>	<b>43 230</b>
Classification by end-use:									
<b>INDUSTRIAL ASSET FORMATION</b>	<b>3 260</b>	<b>3 518</b>	<b>3 293</b>	<b>3 400</b>	<b>4 718</b>	<b>8 350</b>	<b>8 910</b>	<b>13 140</b>	<b>20 520</b>
Agriculture	576	605	654	530	728	960	1 300	1 860	2 830
Fishing	255	587	187	152	705	790	1 880	4 640	4 900
Fish processing	390	231	140	118	282	530	800	1 265	2 000
Manufacturing other than fish processing	547	825	1 329	1 865	1 320	1 850	2 370	1 805	2 590
Transport equipment	757	600	483	180	742	2 750	1 010	1 380	3 650
Commercial buildings	447	341	276	409	613	690	930	1 250	2 630
Various machinery and equipment	288	329	224	146	328	780	620	940	1 920
<b>RESIDENTIAL CONSTRUCTION</b>	<b>1 713</b>	<b>1 930</b>	<b>1 881</b>	<b>1 804</b>	<b>2 138</b>	<b>2 700</b>	<b>4 120</b>	<b>7 740</b>	<b>9 850</b>
<b>PUBLIC WORKS AND BUILDINGS</b>	<b>2 030</b>	<b>2 536</b>	<b>3 551</b>	<b>3 396</b>	<b>3 655</b>	<b>5 000</b>	<b>6 070</b>	<b>7 730</b>	<b>12 860</b>
Electric power, generation and distribution	344	681	1 516	1 223	1 053	1 510	1 680	1 800	3 700
Geothermal heating and water supply	206	174	203	243	338	350	540	650	1 150
Communications	897	1 034	1 157	1 186	1 263	1 880	2 350	3 480	5 160
Public buildings	583	647	675	744	1 001	1 260	1 500	1 800	2 850
Classification by type of assets:									
<b>MACHINERY AND EQUIPMENT</b>	<b>1 911</b>	<b>2 049</b>	<b>1 883</b>	<b>1 738</b>	<b>2 857</b>	<b>5 948</b>	<b>5 339</b>	<b>8 837</b>	<b>13 308</b>
Machinery and other equipment	1 154	1 449	1 400	1 558	2 115	3 198	4 329	7 457	9 658
Transport equipment	757	600	483	180	742	2 750	1 010	1 380	3 650
<b>BUILDINGS AND OTHER CONSTRUCTION</b>	<b>5 092</b>	<b>5 935</b>	<b>6 842</b>	<b>6 862</b>	<b>7 654</b>	<b>10 102</b>	<b>13 761</b>	<b>19 773</b>	<b>29 922</b>
Residential buildings	1 713	1 930	1 881	1 804	2 138	2 700	4 120	7 740	9 850
Non-residential buildings	1 752	1 914	1 837	2 160	2 582	3 324	4 696	5 644	9 350
Other construction	1 627	2 091	3 124	2 898	2 934	4 078	4 945	6 389	10 722

1 Provisional.

Sources: Central Bank of Iceland, Annual Report; direct Icelandic communication to the OECD.

Table E Gross Fixed Asset Formation  
Kr. million, 1969 prices

	1966	1967	1968	1969	1970	1971	1972	1973	1974 <sup>1</sup>
<b>GROSS FIXED ASSET FORMATION, TOTAL</b>	<b>10 963</b>	<b>12 285</b>	<b>11 224</b>	<b>8 600</b>	<b>9 272</b>	<b>13 171</b>	<b>13 043</b>	<b>15 670</b>	<b>16 720</b>
<b>Classification by end-use:</b>									
<b>INDUSTRIAL ASSET FORMATION</b>	<b>5 543</b>	<b>5 899</b>	<b>4 401</b>	<b>3 400</b>	<b>4 323</b>	<b>7 219</b>	<b>6 578</b>	<b>7 920</b>	<b>9 105</b>
Agriculture	903	894	811	530	634	770	927	1 025	1 110
Fishing	492	1 072	257	152	651	634	1 398	2 975	2 400
Fish processing	638	369	186	118	249	438	543	680	750
Manufacturing other than fish processing	873	1 326	1 803	1 865	1 221	1 578	1 723	1 040	1 090
Transport equipment	1 445	1 122	683	180	729	2 552	872	940	1 880
Commercial buildings	632	469	340	409	523	529	580	610	840
Various machinery and equipment	560	647	321	146	316	718	535	650	1 035
<b>RESIDENTIAL CONSTRUCTION</b>	<b>2 420</b>	<b>2 652</b>	<b>2 313</b>	<b>1 804</b>	<b>1 825</b>	<b>2 057</b>	<b>2 569</b>	<b>3 775</b>	<b>3 160</b>
<b>PUBLIC WORKS AND BUILDINGS</b>	<b>3 000</b>	<b>3 734</b>	<b>4 510</b>	<b>3 396</b>	<b>3 124</b>	<b>3 895</b>	<b>3 896</b>	<b>3 975</b>	<b>4 455</b>
Electric power, generation and distribution	533	1 045	1 974	1 223	909	1 215	1 095	920	1 340
Geothermal heating and water supply	298	251	251	243	275	259	331	320	370
Communications	1 346	1 548	1 456	1 186	1 086	1 463	1 535	1 855	1 830
Public buildings	823	890	829	744	854	958	935	880	915
<b>Classification by type of assets:</b>									
<b>MACHINERY AND EQUIPMENT</b>	<b>3 658</b>	<b>3 827</b>	<b>2 657</b>	<b>1 738</b>	<b>2 717</b>	<b>5 367</b>	<b>4 276</b>	<b>5 802</b>	<b>6 760</b>
Machinery and other equipment	2 213	2 705	1 974	1 558	1 988	2 815	3 404	4 862	4 880
Transport equipment	1 445	1 122	683	180	729	2 552	872	940	1 880
<b>BUILDINGS AND OTHER CONSTRUCTION</b>	<b>7 305</b>	<b>8 458</b>	<b>8 567</b>	<b>6 862</b>	<b>6 555</b>	<b>7 804</b>	<b>8 767</b>	<b>9 868</b>	<b>9 960</b>
Residential buildings	2 420	2 652	2 313	1 804	1 825	2 057	2 569	3 775	3 160
Non-residential buildings	2 474	2 705	2 302	2 160	2 228	2 562	2 988	2 764	3 004
Other construction	2 411	3 101	3 952	2 898	2 502	3 185	3 210	3 329	3 796

<sup>1</sup> Provisional.

Sources: Central Bank of Iceland, Annual Report; direct Icelandic communication to the OECD.

Table F Balance of Payments, OECD Basis  
US \$ million

	1966	1967	1968	1969	1970	1971	1972	1973	1974
Exports, fob	139.3	98.9	82.5	107.1	146.2	150.4	191.7	290.2	329.3
Imports, fob	146.5	152.1	130.6	107.0	143.5	200.0	215.5	325.4	476.6
Trade balance	-7.2	-53.2	-48.1	0.1	2.7	-49.6	-23.8	-35.2	-147.2
Services, net	-0.2	-0.8	2.0	4.3	4.7	5.5	3.7	5.9	-8.3
Balance on goods and services	-7.4	-54.0	-46.1	4.4	7.4	-44.1	-20.1	-29.3	-155.5
Current transfers, net	-1.2	-1.4	-0.9	-0.8	-0.4	-0.1	0.2	16.2	0.6
Current balance	-8.6	-55.4	-47.0	3.6	7.0	-44.2	-19.9	-13.1	-154.9
Long-term capital (excl. spec. trans.)	12.2	19.4	32.1	20.0	0.4	48.1	24.4	23.3	85.1
(a) Private	7.8	12.1	8.3	5.8	0.6	35.5	0.4	0.9	39.9
(b) Official	4.4	7.3	23.8	14.2	-0.2	12.6	24.0	22.4	45.2
Basic balance	3.6	-36.0	-14.9	23.6	7.4	3.9	4.5	10.2	-69.8
Non-monetary short-term capital	-2.9	8.2	-0.5	-1.6	3.7	3.8	0.7	1.0	13.5
Errors and omissions	-1.3	1.3	1.2	-0.8	1.0	-0.6	—	—	0.2
Balance on non-monetary transactions	-0.6	-26.5	-14.2	21.2	12.1	7.1	5.2	11.2	-56.1
Private monetary institutions short-term capital	4.6	1.3	0.7	-9.6	2.7	3.6	9.9	18.6	3.7
Balance on official settlements	4.0	-25.2	-13.5	11.6	14.8	10.7	15.1	29.8	-52.4
Use of IMF credit	—	3.8	3.7	3.8	-9.5	-1.8	—	—	18.6
Special transactions	—	—	—	—	—	—	—	—	—
Miscellaneous official accounts	0.1	0.7	3.0	-4.9	6.0	3.5	-3.7	-13.8	-15.7
Allocation of SDRs	—	—	—	—	2.5	2.5	2.6	—	—
Change in reserves (+ = increase)	4.1	-20.7	-6.8	10.5	13.8	14.9	14.0	16.0	-49.5
(a) Gold	—	—	—	—	—	—	—	—	—
(b) Currency assets	3.2	-20.7	-6.8	14.2	13.3	6.8	10.3	16.0	-42.4
(c) Reserve positions in IMF	0.9	—	—	-3.7	—	5.7	—	—	-7.0
(d) Special Drawing Rights	—	—	—	—	0.5	2.4	3.7	—	0.1

Sources: Direct Icelandic communication to the OECD; IMF, International Financial Statistics.

Table G Central Government Income and Expenditure  
Fiscal year = Calendar year  
Kr. billion

	1968	1969	1970	1971	1972	1973	1974 <sup>1</sup>	1975 <sup>2</sup>
<b>CURRENT REVENUE</b>	<b>6.74</b>	<b>7.46</b>	<b>9.80</b>	<b>13.26</b>	<b>18.53</b>	<b>24.88</b>	<b>37.72</b>	<b>48.75</b>
Direct taxes	1.33	1.52	1.73	2.46	4.94	6.44	7.14	9.49
Indirect taxes	5.33	5.82	7.83	10.63	13.38	18.14	30.19	38.84
Other	0.08	0.12	0.24	0.17	0.21	0.29	0.39	0.42
<b>CURRENT EXPENDITURE</b>	<b>5.12</b>	<b>5.62</b>	<b>6.82</b>	<b>9.98</b>	<b>14.06</b>	<b>19.74</b>	<b>30.64</b>	<b>34.69</b>
Purchase of goods and services <sup>3</sup>	2.01	2.53	3.12	4.15	5.38	7.57	11.91	13.09
Current transfers and subsidies	3.11	3.09	3.70	5.83	8.68	12.17	18.73	21.60
<b>GROSS SAVING</b>	<b>1.62</b>	<b>1.84</b>	<b>2.98</b>	<b>3.28</b>	<b>4.47</b>	<b>5.14</b>	<b>7.08</b>	<b>14.06</b>
Gross fixed asset formation	0.44	0.47	0.82	1.40	1.59	2.13	3.01	3.97
<b>SURPLUS ON CURRENT AND FIXED INVESTMENT ACCOUNT</b>	<b>1.18</b>	<b>1.37</b>	<b>2.16</b>	<b>1.88</b>	<b>2.88</b>	<b>3.01</b>	<b>4.07</b>	<b>10.09</b>
Lending, net <sup>4</sup>	-0.05	-0.13	-0.11	-0.25	0.02	0.05	0.12	0.75
Net capital transfers to other sectors	1.35	1.71	1.74	2.22	2.75	3.26	7.36	8.65
<b>OVERALL BALANCE<sup>5</sup></b>	<b>-0.32</b>	<b>-0.21</b>	<b>0.52</b>	<b>-0.10</b>	<b>0.12</b>	<b>-0.30</b>	<b>-3.41</b>	<b>0.69</b>

- 1 Preliminary.
- 2 Approved budget.
- 3 Including interest.
- 4 « - » = net borrowing.
- 5 Net change in floating debts and cash balances.

Source: Direct Icelandic communication to the OECD.

Table H Fish Catch, Wages and Prices

	Fish catch (thous. tons)					Wages and prices (1963 = 100)										
	Total	White fish etc.	Herring	Capelin	Shrimp, lobster, shell-fish	Hourly wage rates, unskilled workers <sup>1</sup>	Cost of living index <sup>2</sup>				Building cost Reykjavik <sup>3</sup>	Export prices of fish products <sup>4</sup>				
							Total	Goods and services				Rent	Fresh and iced fish	Frozen products	Salted products	Fish meal and oil
								Total	Food	Other						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1969	686	451	57	171	7	213.1	205.5	214.5	232.3	197.9	151.7	219.3	111.1	121.8	119.7	126.2
1970	729	477	51	192	9	261.6	232.7	246.1	270.7	223.0	160.8	256.8	150.0	142.8	140.5	172.2
1971	684	425	61	183	15	298.0	248.3	264.4	274.7	247.0	170.3	286.6	152.4	190.0	178.4	170.7
1972	726	390	42	277	17	396.1	272.4	300.4	318.6	277.1	194.6	351.5	231.4	214.0	210.3	158.3
1973	902	402	43	442	15	479.4	329.5	371.9	410.8	335.1	223.9	440.3	334.5	276.0	283.1	351.1
1974	938	422	40	465	11	695.0	470.2	526.0	603.2	463.5	275.3	666.2	370.1	320.3	468.3	340.3
Trimestres :												(Moyenne 1969 = 100)				
1971 1	285	104	4	173	4	290.9	245.9	261.6	273.2	244.1	167.8	284.1	..	151.3	163.5	145.2
2	191	179	9	—	3	290.9	249.1	264.8	276.2	246.3	170.6	285.7	..	155.0	177.6	143.6
3	123	91	21	7	4	296.7	247.5	263.2	272.2	247.2	170.6	..	..	159.5	162.3	127.0
4	85	51	27	3	4	324.2	250.7	268.1	277.1	250.2	172.0	289.9	..	155.6	177.0	125.0
1972 1	399	120	—	276	3	364.0	252.3	277.9	288.9	259.7	173.4	322.0	..	168.8	202.8	125.3
2	150	140	5	1	4	409.7	273.2	300.8	321.0	275.9	191.8	364.7	..	174.9	178.5	124.8
3	106	79	21	—	6	409.7	281.3	309.0	331.0	283.9	205.9	..	..	179.9	179.3	126.7
4	71	51	16	—	4	409.7	282.9	313.9	333.6	288.9	207.3	367.9	..	184.7	209.0	161.0
1973 1	504	93	—	407	4	460.0	294.1	328.6	346.8	304.4	210.1	378.0	..	214.6	232.8	286.6
2	186	143	5	34	4	483.4	323.1	367.8	406.1	330.9	218.6	455.5	..	221.3	262.1	302.6
3	129	101	25	—	3	516.3	337.5	382.5	424.4	344.0	231.2	..	..	241.0	263.1	364.6
4	83	65	13	1	4	554.5	363.2	408.7	465.7	360.9	235.5	487.5	..	257.6	301.8	399.6
1974 1	565	98	—	464	3	701.2	389.0	438.1	509.8	382.7	241.1	532.9	..	293.9	349.2	433.2
2	151	140	8	1	2	701.2	464.5	523.1	625.1	447.9	266.5	688.8	..	292.7	475.3	346.3
3	129	108	18	—	3	701.2	477.4	524.8	572.4	478.2	291.9	..	..	308.9	545.2	313.3
4	93	76	14	—	3	788.3	549.7	617.9	705.3	545.3	301.7	776.9	..	332.5	542.0	285.3
1975 1	526	106	—	418	2	880.6	597.9	671.9	799.6	578.4	315.8	834.5	..	356.4	603.8	297.0
2	187	139	6	39	3	980.1	684.7	765.1	870.5	678.5	368.0	1004.3	..	443.7	760.8	278.5
3						1019.1	737.8	837.0	927.4	754.0	399.0	..	..	..	..	..

1 Yearly figures are weighted averages. Quarterly figures give the wage rate at the end of the quarter.

2 New index beginning February 1968 (Jan. = 100), excluding direct taxes.

3 February, June and October.

4 Base year for the quarterly series is 1969. The annual and quarterly indices, which are based on fob prices in terms of foreign currencies, are not fully comparable due to weighting differences as well as to the fact that the annual series is an implicit price index while the quarterly series is a unit base index.

Sources: Icelandic Statistical Bulletin (col. 6) and Hagtidindi.

Table I Foreign Trade, Total and by Area  
US \$ million, monthly rates

	Total imports cif		Imports by area						Total exports fob		Exports by area					
	Orig.	Adj.	OECD countries			Non-OECD countries			Orig.	Adj.	OECD countries			Non-OECD countries		
			Total	Europe		Eastern Europe	Other developed countr.	Developing countr.			Total	Europe		Eastern Europe	Other developed countr.	Developing countr.
				EEC	Others							EEC	Others			
17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	
1969	10.3	..	8.3	5.1	2.0	1.3	0.02	0.7	9.0	..	7.4	3.3	1.6	1.0	0.03	0.5
1970	13.1	..	10.8	7.2	2.1	1.4	0.01	0.9	12.2	..	10.8	4.6	2.4	1.2	0.00	0.2
1971	17.5	..	14.6	9.1	2.9	1.8	0.02	1.0	12.5	..	10.9	4.0	2.2	1.4	0.00	0.2
1972	19.2	..	16.3	10.1	3.7	2.0	0.04	0.9	15.7	..	13.4	5.2	3.3	1.9	0.00	0.4
1973	29.6	..	26.2	13.3	7.5	2.7	0.03	0.8	24.1	..	21.6	9.5	5.0	2.1	0.00	0.4
1974	43.2	..	36.3	19.3	9.9	5.8	0.04	1.0	27.7	..	23.5	8.1	8.1	3.4	0.00	0.7
Quarterly:																
1971 1	13.4	16.9	10.5	6.9	2.0	1.7	0.01	1.1	9.2	12.0	8.4	2.8	2.0	0.5	0.00	0.3
2	19.7	16.9	16.8	10.0	3.5	2.1	0.02	0.8	14.6	12.8	12.4	3.9	3.8	2.1	0.00	0.1
3	16.7	17.6	14.1	8.8	3.2	1.7	0.04	0.9	14.4	13.4	12.9	4.3	1.8	1.4	0.00	0.1
4	20.1	18.3	17.1	10.7	3.0	1.7	0.02	1.3	11.7	11.7	9.8	5.1	1.3	1.4	0.00	0.5
1972 1	14.5	17.7	12.4	8.1	2.5	1.2	0.01	0.8	12.9	16.1	11.1	3.9	2.9	1.2	0.00	0.5
2	21.9	19.0	18.8	11.9	4.1	2.3	0.04	0.8	17.2	14.8	14.5	4.7	4.9	2.5	0.00	0.2
3	17.9	19.3	15.0	9.7	3.2	1.8	0.06	1.0	17.4	16.4	15.2	6.1	3.1	1.9	0.00	0.3
4	22.6	20.6	18.8	10.7	5.2	2.7	0.03	1.1	15.5	16.0	12.9	5.9	2.2	2.0	0.00	0.6
1973 1	18.7	23.1	16.0	9.3	3.0	1.9	0.01	0.8	17.5	21.3	15.0	5.0	4.5	2.2	0.00	0.4
2	33.2	27.1	30.0	13.0	8.5	2.5	0.03	0.6	30.0	24.8	26.2	11.8	7.0	3.6	0.00	0.2
3	26.0	28.5	22.5	13.9	5.4	2.9	0.05	0.6	23.2	21.9	21.6	10.3	4.3	1.5	0.00	0.1
4	40.4	35.9	36.1	16.7	13.2	3.2	0.05	1.1	25.3	26.2	23.4	10.7	3.9	1.1	0.00	0.8
1974 1	32.6	40.1	28.2	14.9	6.7	3.5	0.01	0.9	22.9	28.6	20.9	8.9	5.3	1.2	0.00	0.8
2	51.7	44.0	41.7	20.0	14.1	8.7	0.04	1.3	34.7	28.9	28.7	7.1	13.1	5.5	0.00	0.4
3	38.0	42.3	32.5	18.8	8.1	4.6	0.08	0.8	27.4	26.1	23.7	7.0	9.0	3.5	0.00	0.3
4	50.5	44.6	42.8	23.5	10.6	6.6	0.03	1.1	25.9	28.0	20.9	9.2	5.0	3.7	0.01	1.2
1975 1	35.7	44.0	29.6	16.0	6.4	4.9	0.01	1.2	17.6	21.9	14.7	4.9	4.0	2.4	0.00	0.5
2	45.8	39.5	40.2	20.7	12.9	4.6	0.09	0.9	32.0	26.7	26.9	7.2	13.0	4.7	0.00	0.4

Sources: OECD, Main Economic Indicators and OECD, Foreign Trade Statistics, Series A.

Table J Foreign Trade by Commodity Group  
US \$ million

	Imports by commodity group						Exports by commodity group									
	Total	Transport equipment	Other imports				Total	Fish products, total	Frozen fish fillets	Herring salted	Herring and capelin meal	Other fish and misc. prod.	Agricultural prod.	Aluminium prod.	Other manufac. prod.	
			Total	Food and live animals	Semi-manufactured goods	Machinery and apparatus										Other goods
	SITC No.	73	0	6	71.72											
33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	
1969	123.4	4.0	119.4	14.4	32.1	26.8	46.1	107.6	88.0	33.2	4.8	4.3	2.4	6.9	5.9	4.4
1970	157.3	19.2	138.1	17.1	37.0	26.7	57.3	146.6	114.6	48.7	5.2	5.6	1.7	5.0	19.4	5.9
1971	220.0	43.0	177.0	18.2	44.5	42.6	71.7	149.7	125.6	57.7	1.7	5.2	1.4	4.5	10.1	8.1
1972	232.0	32.3	199.7	21.3	49.6	49.3	79.5	189.7	140.0	59.9	1.9	7.1	1.3	5.9	30.9	10.6
1973	354.0	68.6	285.4	31.3	78.7	60.4	115.0	295.9	218.1	79.7	0.2	27.0	1.6	8.7	50.5	15.3
1974	520.8	94.8	426.0	43.3	102.1	85.7	194.9	331.1	247.9	80.2	0.0	24.9	2.0	9.2	49.3	17.2
Quarterly:																
1971 1	40.1	3.0	37.1	4.8	9.3	8.3	14.7	27.5	21.5	10.2	1.5	1.1	0.2	1.3	3.0	1.5
2	59.1	12.6	46.5	4.4	11.5	11.6	19.0	43.8	39.6	16.3	0.1	3.7	0.2	1.2	1.3	1.5
3	50.1	5.1	45.0	4.3	12.4	11.5	16.8	43.3	37.7	20.1	0.1	0.2	0.3	0.6	2.6	2.1
4	70.7	22.3	48.4	4.7	11.3	11.2	21.2	35.1	26.8	11.1	0.0	0.2	0.7	1.4	3.2	3.0
1972 1	43.5	3.8	39.7	4.6	10.4	9.9	14.8	38.7	29.0	14.3	1.9	1.2	0.3	2.2	4.9	2.3
2	65.7	10.7	55.0	5.3	12.8	14.0	22.9	51.9	40.2	14.6	0.0	3.9	0.3	0.9	7.4	2.8
3	53.4	4.1	49.3	4.7	12.2	12.1	20.3	52.0	38.0	17.1	0.0	1.9	0.4	0.9	9.9	2.8
4	69.4	13.7	55.7	6.7	14.2	13.3	21.5	47.1	32.8	13.9	0.0	0.1	0.3	1.9	8.7	2.7
1973 1	57.0	3.6	53.4	6.3	12.6	11.4	23.0	59.0	38.3	14.8	0.1	7.8	0.2	2.7	14.4	3.3
2	101.2	32.7	68.5	7.4	17.7	16.0	27.4	93.9	74.1	20.7	0.0	16.4	0.2	2.1	13.4	3.8
3	74.6	7.3	67.3	8.2	17.9	14.9	26.3	68.3	53.1	19.9	0.0	2.7	0.6	0.7	10.3	3.6
4	121.2	25.0	96.2	9.4	30.5	18.1	38.2	74.7	52.6	24.3	0.1	0.1	0.6	3.2	12.4	4.5
1974 1	97.7	11.5	86.2	9.6	22.1	21.2	33.3	68.8	47.6	11.0	0.0	6.3	0.2	2.4	14.8	3.7
2	156.7	47.3	109.4	10.9	23.0	20.3	55.2	104.0	83.3	22.0	0.0	14.0	0.9	1.7	13.3	3.8
3	115.0	10.7	104.3	10.9	28.7	22.6	42.1	80.6	61.5	25.3	0.0	1.1	0.5	0.8	13.5	4.3
4	151.4	25.3	126.1	11.9	28.3	21.6	64.3	77.7	55.5	21.9	0.0	3.5	0.4	4.3	7.7	5.4
1975 1	110.5	4.3	106.2	13.3	25.2	22.4	45.3	53.8	39.1	19.7	0.3	3.4	0.2	2.6	7.2	4.5
2	137.6	29.7	107.9	11.0	25.0	23.0	48.9	96.0	87.2	25.3	0.0	9.7	0.2	0.9	2.4	4.2

Sources: OECD, Foreign Trade Statistics, Series B; Icelandic Statistical Bulletin (col. 40 to 48).

Table K Money and Credit  
End of period

	Central Bank		Non-Bank sector			Bank liquidity				Credits granted by banks					Foreign exchange	
	Central Bank discount rate	Net position of Treasury	Money supply		Savings deposits	Commercial and savings banks				Total	of which <sup>1</sup> to:				Official gold and foreign exchange <sup>2</sup>	Commercial banks' position
			Orig.	Adj.		Blocked deposits	Redis-counted bills	Net free position with Central Bank	Net foreign assets		Agriculture	Fishery and fish processing	Manufacturing and commerce	Dwellings		
Per cent	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64
1969	5.25	-640	3 810	4 019	10 134	2 640	1 898	102	-14	12 865	1 348	2 629	4 357	1 248	39	-120
1970	5.25	-176	4 648	4 966	12 624	3 359	1 744	55	-320	15 443	1 719	2 125	5 548	2 013	54	-330
1971	5.25	831	5 665	6 118	15 198	4 030	2 053	-487	-413	18 958	1 940	2 844	6 232	2 514	64	-550
1972	5.25	234	6 901	7 509	17 774	4 741	2 690	-625	-571	22 744	2 341	3 590	7 436	3 215	78	-1 025
1973	6.25	1 440	9 585	10 475	23 097	6 797	3 979	-1 013	-447	30 298	3 337	5 047	9 612	3 929	83	-1 538
1974	7.25	5 352	12 433	..	29 563	8 579	8 226	-5 905	365	45 244	4 514	10 234	13 734	4 773	40	-3 393
Quarterly:																
1971 1	5.25	-572	5 075	5 336	13 249	3 541	1 701	-15	-396	16 437	1 521	2 633	5 798	2 005	61	-473
2	5.25	-507	6 049	5 772	13 666	3 779	2 146	237	-436	17 823	1 536	3 135	6 031	2 242	67	-604
3	5.25	-108	6 299	6 121	14 155	4 008	1 956	176	-475	18 322	1 620	2 977	6 204	2 384	72	-645
4	5.25	831	5 665	6 118	15 198	4 030	2 053	-487	-413	18 958	1 940	2 844	6 232	2 514	64	-550
1972 1	5.25	1 637	6 388	6 633	15 905	4 190	2 329	-51	-635	20 103	1 699	3 550	6 671	2 593	68	-825
2	5.25	1 882	7 157	6 777	16 267	4 517	2 666	-202	-681	21 620	1 678	4 182	7 089	2 703	65	-880
3	5.25	1 196	7 402	7 186	16 864	4 583	2 350	-495	-644	21 967	1 789	3 920	7 344	2 812	77	-960
4	5.25	234	6 901	7 509	17 774	4 741	2 690	-625	-571	22 744	2 341	3 590	7 436	3 215	78	-1 025
1973 1	5.25	1 335	8 096	8 364	18 819	5 021	3 038	-794	-757	24 982	2 099	4 868	8 205	3 225	64	-1 396
2	6.25	1 676	9 548	8 999	20 214	5 887	3 516	-361	-556	26 674	2 096	5 132	8 813	3 443	77	-1 385
3	6.25	1 792	9 869	9 572	21 316	6 270	3 269	-555	-908	28 421	2 203	5 106	9 457	3 672	83	-1 792
4	6.25	1 440	9 585	10 475	23 097	6 797	3 979	-1 013	-447	30 298	3 337	5 047	9 612	3 929	83	-1 538
1974 1	6.25	2 302	10 937	11 264	24 441	7 375	5 201	-2 400	-562	34 368	2 891	7 432	10 671	4 212	64	-1 946
2	6.25	2 838	12 564	11 819	24 667	7 821	6 179	-4 953	-495	38 673	2 947	9 070	12 294	4 397	59	-2 701
3	7.25	4 638	12 761	12 365	25 907	8 065	6 286	-6 832	-94	41 844	3 080	9 777	12 970	4 578	38	-2 862
4	7.25	5 352	12 433	..	29 563	8 579	8 226	-5 905	365	45 244	4 514	10 234	13 734	4 773	40	-3 393
1975 1	7.25	7 426	13 404	13 790	30 834	9 429	9 509	-7 609	8	49 077	3 807	13 250	14 864	4 936	29	-5 600
2	7.25	7 633	14 817	13 926	31 540	10 041	9 969	-6 462	381	50 521	4 174	12 942	15 563	5 048	35	-6 901

1 Excluding credits granted by minor savings banks.

2 Excluding IMF position.

Sources: Icelandic Statistical Bulletin (col. 50, 54, 55, 57, 58); IMF, International Financial Statistics (col. 49, 51, 52, 53); OECD, Main Economic Indicators (col. 63, 64); direct Icelandic communication to the OECD.

***INTERNATIONAL COMPARISONS***

BASIC STATISTICS : INTERNATIONAL COMPARISONS

			Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan	Luxem- bourg	Nether- lands	New Zealand	Norway	Portugal	Spain	Sweden	Switzer- land	Turkey	United Kingdom	United States	Yugo- slavia <sup>1</sup>	
POPULATION	Net average annual increase	Mid-1973	13 132	7 521	9 742	22 125	5 027	4 643 <sup>3</sup>	52 177	61 967	8 972	212	3 051	54 888 <sup>3</sup>	108 350 <sup>4</sup>	350	13 438	2 932	3 961	8 564	34 730	8 138	6 431	37 930	56 026	210 404	20 960	
		1963 to 1973	1.87	0.48	0.48	1.55	0.71	0.26	0.88	0.77	0.57	1.37	0.68	0.70	1.22	0.77	1.17	1.46	0.77	-0.46	1.06	0.68	1.09	2.49	0.43	1.07	0.95	
EMPLOYMENT	Total civilian	1973	5 640	3 039	3 818	8 759	2 385	2 153	20 953	26 202	(3 320)	(88)	1 042	18 310	52 330	154	4 564	1 137	1 654	(3 109)	12 844	3 879	3 097	13 810	24 553	84 409	8 009 <sup>5 10</sup>	
		Agriculture	7.2	16.1	3.9	6.5	9.5	17.1	12.2	7.5	(34.1)	(15.9)	25.1	17.4	13.4	9.0	6.8	12.1	11.4	(28.8)	26.5	7.1	(7.3)	63.4	3.0	4.1	49.5	
		Industry <sup>6</sup>	35.5	40.1	43.3	31.3	33.8	35.7	39.3	49.5	39.3	(25.7)	(37.5)	30.7	44.0	37.2	48.6	36.2	34.7	33.9	(33.8)	38.0	36.8	(46.2)	15.1	42.3	31.7	
		Other	57.3	43.8	52.8	62.2	56.7	47.1	48.5	43.0	43.0	(40.2)	(46.6)	44.2	38.6	49.4	42.4	57.1	53.2	54.7	(37.4)	35.5	56.1	(46.5)	21.5	54.7	64.2	
PRODUCTION	GDP <sup>7</sup> per head	1973	4 900	3 550	4 650	5 410	5 460	3 720	4 900	5 610	1 790	4 870	2 130 <sup>13</sup>	2 510	3 760	5 200	4 410 <sup>13</sup>	4 080 <sup>17</sup>	4 780	1 250	1 750	6 140	6 190	540	3 100	6 170	792 <sup>13</sup>	
		1973	7.1 <sup>9 10 11</sup>	5.8	3.9	5.2 <sup>11</sup>	8.2 <sup>11</sup>	12.0	6.3	2.9	20.4 <sup>11</sup>	..	..	18.0 <sup>11 13</sup>	8.8	5.9	4.4 <sup>11 13</sup>	5.3 <sup>11 13</sup>	18.8 <sup>13</sup>	5.6	16.3 <sup>11</sup>	12.7 <sup>11</sup>	3.8	..	26.1	3.0 <sup>11</sup>	4.4	
		% of total	41.4 <sup>9 10 11</sup>	50.1	40.1	36.2 <sup>11</sup>	39.9 <sup>11</sup>	44.2	93.7	52.1	32.4 <sup>11</sup>	..	..	33.8 <sup>11 13</sup>	41.2	48.3	57.5 <sup>11 13</sup>	44.9 <sup>11 13</sup>	28.0 <sup>13</sup>	33.4	43.2 <sup>11</sup>	35.5 <sup>11</sup>	36.6	..	28.8	42.4 <sup>11</sup>	33.9	
		Other	51.5 <sup>9 10 11</sup>	44.1	56.1	58.6 <sup>11</sup>	51.9 <sup>11</sup>	43.8	..	45.0	47.2 <sup>11</sup>	..	..	48.2 <sup>11 13</sup>	50.0	45.9	38.1 <sup>11 13</sup>	49.8 <sup>11 13</sup>	53.2 <sup>12</sup>	61.0	40.6 <sup>11</sup>	51.8 <sup>11</sup>	59.6	..	45.1	54.6 <sup>11</sup>	61.7	
GDP <sup>7 14</sup> annual volume growth	1968 to 1973	1973	5.6	5.5	5.4	6.8	3.9	6.0	6.0	5.3	9.4	6.2	7.2	6.4	11.0	7.5	4.2	4.8 <sup>17</sup>	3.7	7.6	7.4	3.3	3.5	4.6	5.3	5.9		
		1968 to 1973	5.1	6.4	5.5	5.2	4.7	6.8	6.0	5.1	8.9	6.3	4.6	4.3	9.5	5.2	5.3	3.1 <sup>17</sup>	4.5	6.4	7.0	3.2	4.6	6.2	2.8	3.6		
INDICATORS OF LIVING STANDARDS	Private consumption per head	1973	2 850	1 870	2 810	3 080	3 050	1 910	2 913	3 000	1 200	2 990	1 370	1 620	1 910	2 780	2 430	2 410 <sup>17</sup>	2 530	900	1 170	3 240	3 640	320	1 960	3 840	425 <sup>13</sup>	
		1970	4.3	4.7	5.4 <sup>15</sup>	8.6	7.0	6.3	4.7	4.0	2.2	4.3	4.8 <sup>15</sup>	4.3	4.1	4.4	7.3 <sup>15</sup>	4.4 <sup>15</sup>	5.9	2.0	2.4	7.8	4.2	2.9	5.5 <sup>15</sup>	5.4 <sup>15</sup>	4.3 <sup>16</sup>	
		1971	314	177	212	321	231	163	260	239	30	222	140	209	100	296	211	324	206	72	81	290	233	4 <sup>13</sup>	219	443	42	
		1972	227	226	236	349 <sup>10</sup>	282	256	237	293	31 <sup>10</sup>	220	173	202	225	220 <sup>10</sup>	243 <sup>10</sup>	250	241	63	145	333	239	4	305	474	113	
		1972	340	226	240	499	377	295	199	268	160	370	114	206	315	361	299	458	320	99	164	576	535	19	314	628	44	
		1971	1.25	1.87	1.60	1.50	1.41 <sup>13</sup>	1.11	1.38	1.71 <sup>13</sup>	1.67	1.44	1.09 <sup>15</sup>	1.83	1.15	1.07	1.31	1.16	1.45	0.98	1.39	1.36 <sup>13</sup>	1.67	0.45	1.29	1.57 <sup>13</sup>	1.06	
		1968-72 average	25.8 <sup>9</sup>	29.0	20.8	21.4 <sup>18</sup>	23.6	24.1	26.3	25.9	25.7 <sup>19</sup>	28.7	24.2	19.8	38.7	23.6	25.3	..	..	..	19.0	24.2	23.1	27.8 <sup>20</sup>	16.9 <sup>21</sup>	19.6	17.0 <sup>22</sup>	..
		Machinery and equipment	10.9	12.5	8.8	7.9	12.1	8.9	12.0	12.4	8.2	8.6	12.2	8.4	32.1 <sup>23</sup>	..	10.5	..	..	..	8.8	12.8	8.6	9.5	5.8	9.5	7.0 <sup>22</sup>	..
Residential construction	5.2	16.5 <sup>24</sup>	4.7	4.4	4.6	5.8	6.5	5.2	8.0	5.3	4.3	5.9	6.6	..	5.7	..	..	..	2.7	3.7	5.0	7.1	3.3	3.5	3.5	..		
Other construction	9.7	.. <sup>24</sup>	7.3	9.1	6.9	9.4	7.8	8.3 <sup>25</sup>	9.5	14.8	7.7	5.5	..	..	..	..	..	..	7.5	7.7	9.5	11.2	7.8	6.6	6.5	..		
WAGES/PRICES	Hourly earnings <sup>26</sup>	Annual increase 1967 to 1972	1973	7.6 <sup>27 28</sup>	9.3 <sup>29</sup>	10.2	8.2 <sup>27</sup>	12.4 <sup>30</sup>	11.8	11.3 <sup>31</sup>	9.3 <sup>27</sup>	8.3 <sup>27</sup>	18.3 <sup>32</sup>	13.5 <sup>27</sup>	11.2 <sup>33</sup>	15.6 <sup>34</sup>	..	10.4 <sup>35</sup>	10.3 <sup>27</sup>	10.0 <sup>30</sup>	10.2 <sup>36</sup>	12.6 <sup>37</sup>	9.9 <sup>38</sup>	6.5 <sup>39</sup>	12.8 <sup>37</sup>	9.6 <sup>40</sup>	6.0 <sup>41</sup>	16.1 <sup>36 37</sup>
			Consumer prices	4.2	4.3	4.0	3.9	6.2	5.5	5.6	3.8	2.6	13.3	7.6	3.9	5.8	3.9	6.2	6.5	6.1	8.6	5.8	5.0	4.3	10.5	6.6	4.6	11.3
			GDP <sup>7</sup> deflator	5.8	4.4	4.6	4.0	6.4	6.5	5.5	5.2	2.9	17.2	9.3	5.0	4.8	5.9	6.6	6.9 <sup>17</sup>	..	..	4.3	6.0	5.2	6.0	6.6	4.4	..
FOREIGN TRADE	Imports <sup>42</sup>	1972	\$ million <sup>8</sup>	6 180	6 290	14 570	23 130	6 080	3 680	32 070	51 150	2 530	300	23 600	24 910	1 050	20 100	1 980	5 810	2 630	7 250	9 590	9 710	1 400 <sup>10</sup>	33 620	74 830	3 820	
			% of GDP <sup>7</sup>	13.2	30.9	40.9	21.8	28.6	27.4	16.4	19.9	20.7	39.5	40.6	20.1	8.5	77.8	43.4	23.1	38.3	32.2	16.2	23.2	32.6	10.9	21.8	6.3	23.2
			\$ million <sup>8</sup>	7 500	6 220	15 430	23 750	6 240	3 700	33 760	55 730	1 470	290	1 930	24 040	31 800	1 100	21 320	2 320	6 060	2 220	7 190	10 110	9 720	900 <sup>10</sup>	33 350	62 690	3 480
Exports <sup>43</sup>	% of GDP <sup>7</sup>	16.0	30.5	43.4	22.4	29.4	27.5	17.2	21.6	12.0	38.2	35.0	20.4	10.8	81.5	46.1	27.1	39.9	27.1	16.1	24.4	32.7	7.0	21.6	5.3	21.2		
BALANCE OF PAYMENTS	Current balance	1968-72 average	% of GNP	-2.1 <sup>9</sup>	-0.4	2.5 <sup>44</sup>	0.0	-2.1	-1.2	-0.2	0.8	-3.6	-4.2	2.1	1.7	..	0.3	1.4	-1.0	3.3	0.5	-0.1	1.3	-0.5	0.8	-0.2		
			Official reserves <sup>45</sup> , end-1973: per cent of imports of goods in 1973	88.3	42.4	23.3 <sup>44</sup>	24.7	17.2	14.8	22.8	60.8	30.1	28.1	36.7	23.1	32.0	..	26.9	119.8	25.3	99.1	70.3	23.9	69.5	102.8	16.7	20.8	
			Change	Mill. SDR's	-109	942	603 <sup>44</sup>	-412	88	-79	1 970	-672	2	-3	155	-1 420	304	..	297	-194	259	-502 <sup>45</sup>	109 <sup>45</sup>	994	130	-787 <sup>45</sup>	-1 024	414

1 National source.  
2 Does not include total net migration between Finland and the other Nordic countries.  
3 Total resident population.  
4 From 1972; including Okinawa prefecture.  
5 Private and socialised sector.  
6 According to the definition used in OECD Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).  
7 GDP at current prices.  
8 At current prices and exchange rates.  
9 Fiscal year-Beginning July 1st.  
10 1971.  
11 GDP at factor cost.  
12 1970.  
13 1972.  
14 At constant (1970) prices.  
15 1969.  
16 1968.  
17 Fiscal year-Beginning April 1st.  
18 Excluding transfer costs of land and existing assets.  
19 Excluding ships operating overseas.  
20 1965-1969.  
21 1967-1971.  
22 Government and government enterprise expenditure on machinery and equipment is included in government current expenditure.  
23 "Other construction" included under "machinery and equipment". Work in progress on heavy equipment and ships for the domestic market are included in fixed asset formation.  
24 "Other construction" included in "residential construction".  
25 Including transfer costs of land.  
26 Industry.  
27 Manufacturing.  
28 Males.  
29 Monthly, wage earners.  
30 Mining and manufacturing, males.  
31 Hourly rates in manufacturing.  
32 Hourly wages rates, unskilled workers.  
33 Hourly rates in manufacturing, excluding family allowances.  
34 Monthly earnings in manufacturing. Cash payments including bonuses, regular workers.  
35 Hourly rates in industry, males.  
36 Monthly.  
37 Manufacturing, including salaried employees.  
38 Mining and manufacturing.  
39 Hourly rates.  
40 Hourly rates in manufacturing, males.  
41 Manufacturing, gross earnings per production worker.  
42 Goods and services, excluding factor income.  
43 Including reserve position in the IMF and special drawing rights.  
44 Including Luxembourg.  
45 August 1974 - August 1975.

NOTE Figures within brackets are estimates by the OECD Secretariat.

Sources: Common to all subjects and countries, except Yugoslavia (for special national sources see above): OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Balance of Payments, Observer, Statistics of Foreign Trade (Series A); Office Statistique des Communautés Européennes, Statistiques de base de la Communauté; IMF, International Financial Statistics; UN, Statistical Yearbook.

## OECD SALES AGENTS DEPOSITAIRES DES PUBLICATIONS DE L'OCDE

### ARGENTINA - ARGENTINE

Carlos Hirsch S.R.L.,  
Florida 165, BUENOS-AIRES.  
☎ 33-1787-2391 Y 30-7122

### AUSTRALIA - AUSTRALIE

International B.C.N. Library Suppliers Pty Ltd.,  
161 Sturt St., South MELBOURNE, Vic. 3205.  
☎ 69-7601  
658 Pittwater Road, BROOKVALE NSW 2100.  
☎ 938 2267

### AUSTRIA - AUTRICHE

Gerold and Co., Graben 31, WIEN 1.  
☎ 52.22.35

### BELGIUM - BELGIQUE

Librairie des Sciences  
Coudenberg 76-78, B 1000 BRUXELLES 1.  
☎ 512-05-60

### BRAZIL - BRÉSIL

Mestre Jou S.A., Rua Guaipá 518,  
Caixa Postal 24090, 05089 SAO PAULO 10.  
☎ 256-2746/262-1609  
Rua Senador Dantas 19 s/205-6, RIO DE  
JANEIRO GB. ☎ 232-07. 32

### CANADA

Information Canada  
171 Slater, OTTAWA, KIA 0S9.  
☎ (613) 992-9738

### DENMARK - DANEMARK

Munksgaards Boghandel  
Nørregade 6, 1165 KØBENHAVN K.  
☎ (01) 12 69 70

### FINLAND - FINLANDE

Akateeminen Kirjakauppa  
Keskuskatu 1, 00100 HELSINKI 10. ☎ 625.901

### FRANCE

Bureau des Publications de l'OCDE  
2 rue André-Pascal, 75775 PARIS CEDEX 16.  
☎ 524.81.67

### Principaux correspondants :

13602 AIX-EN-PROVENCE : Librairie de  
l'Université. ☎ 26.18.08

38000 GRENOBLE : B. Arthaud. ☎ 87.25.11

31000 TOULOUSE : Privat. ☎ 21.09.26

### GERMANY - ALLEMAGNE

Verlag Weltarchiv G.m.b.H.  
D 2000 HAMBURG 36, Neuer Jungfernstieg 21  
☎ 040-35-62-500

### GREECE - GRECE

Librairie Kauffmann, 28 rue du Stade,  
ATHENES 132. ☎ 322.21.60

### HONG-KONG

Government Information Services,  
Sales of Publications Office,  
1A Garden Road,  
☎ H-252281-4

### ICELAND - ISLANDE

Snaebjörn Jónsson and Co., h.f.,  
Hafnarstræti 4 and 9, P.O.B. 1131,  
REYKJAVIK. ☎ 13133/14281/11936

### INDIA - INDE

Oxford Book and Stationery Co.:  
NEW DELHI, Scindia House. ☎ 47388  
CALCUTTA, 17 Park Street. ☎ 24083

### IRELAND - IRLANDE

Eason and Son, 40 Lower O'Connell Street,  
P.O.B. 42, DUBLIN 1. ☎ 01-41161

### ISRAEL

Emanuel Brown :  
35 Allenby Road, TEL AVIV. ☎ 51049/54082  
also at :

9, Shlomzion Hamalka Street, JERUSALEM.  
☎ 234807

48 Nahlat Benjamin Street, TEL AVIV.  
☎ 53276

### ITALY - ITALIE

Libreria Commissionaria Sansoni :  
Via Lamarmora 45, 50121 FIRENZE. ☎ 579751  
Via Bartolini 29, 20155 MILANO. ☎ 365083

### Sous-dépôtaires :

Editrice e Libreria Herder,  
Piazza Montecitorio 120, 00186 ROMA.  
☎ 674628

Libreria Hoepli, Via Hoepli 5, 20121 MILANO.  
☎ 865446

Libreria Lattes, Via Garibaldi 3, 10122 TORINO.  
☎ 519274

La diffusion delle edizioni OCDE è inoltre assicurata dalle migliori librerie nelle città più importanti.

### JAPAN - JAPON

OECD Publications Centre,  
Akasaka Park Building,  
2-3-4 Akasaka,  
Minato-ku  
TOKYO 107. ☎ 586-2016  
Maruzen Company Ltd.,  
6 Tori-Nichome Nihonbashi, TOKYO 103,  
P.O.B. 5050, Tokyo International 100-31.  
☎ 272-7211

### LEBANON - LIBAN

Documenta Scientifica/Redico  
Edison Building, Bliss Street,  
P.O.Box 5641, BEIRUT. ☎ 354429 - 344425

### THE NETHERLANDS - PAYS-BAS

W.P. Van Stockum  
Buitenhof 36, DEN HAAG. ☎ 070-65.68.08

### NEW ZEALAND - NOUVELLE-ZELANDE

The Publications Officer  
Government Printing Office  
Mulgrave Street (Private Bag)  
WELLINGTON. ☎ 46.807  
and Government Bookshops at  
AUCKLAND (P.O.B. 5344). ☎ 32.919  
CHRISTCHURCH (P.O.B. 1721). ☎ 50.331  
HAMILTON (P.O.B. 857). ☎ 80.103  
DUNEDIN (P.O.B. 1104). ☎ 78.294

### NORWAY - NORVEGE

Johan Grundt Tanums Bokhandel,  
Karl Johansgate 41/43, OSLO 1. ☎ 02-332980

### PAKISTAN

Mirza Book Agency, 65 Shahrah Quaid-E-Azam,  
LAHORE 3. ☎ 66839

### PHILIPPINES

R.M. Garcia Publishing House,  
903 Quezon Blvd. Ext., QUEZON CITY,  
P.O. Box 1860 - MANILA. ☎ 99.98.47

### PORTUGAL

Livraria Portugal,  
Rua do Carmo 70-74, LISBOA 2. ☎ 360582/3

### SPAIN - ESPAGNE

Libreria Mundi Prensa  
Castello 37, MADRID-1. ☎ 275.46.55  
Libreria Bastinos  
Pelayo, 52, BARCELONA 1. ☎ 222.06.00

### SWEDEN - SUÈDE

Fritzes Kungl. Hovbokhandel,  
Fredsgatan 2, 11152 STOCKHOLM 16.  
☎ 08/23 89 00

### SWITZERLAND - SUISSE

Librairie Payot, 6 rue Grenus, 1211 GENEVE 11.  
☎ 022-31.89.50

### TAIWAN

Books and Scientific Supplies Services, Ltd.  
P.O.B. 83, TAIPEI.

### TURKEY - TURQUIE

Librairie Hachette,  
469 Istiklal Caddesi,  
Beyoglu, ISTANBUL. ☎ 44.94.70  
et 14 E Ziya Gokalp Caddesi  
ANKARA. ☎ 12.10.80

### UNITED KINGDOM - ROYAUME-UNI

H.M. Stationery Office, P.O.B. 569, LONDON  
SE1 9 NH, ☎ 01-928-6977, Ext. 410  
or  
49 High Holborn  
LONDON WC1V 6HB (personal callers)  
Branches at: EDINBURGH; BIRMINGHAM,  
BRISTOL, MANCHESTER, CARDIFF,  
BELFAST.

### UNITED STATES OF AMERICA

OECD Publications Center, Suite 1207,  
1750 Pennsylvania Ave, N.W.,  
WASHINGTON, D.C. 20006. ☎ (202)298-8755

### VENEZUELA

Libreria del Este, Avda. F. Miranda 52,  
Edificio Galipán, Aptdo. 60 337, CARACAS 106.  
☎ 32 23 01/33 26 04/33 24 73

### YUGOSLAVIA - YOUGOSLAVIE

Jugoslovenska Knjiga, Terazije 27, P.O.B. 36,  
BEOGRAD. ☎ 621-992

475

Les commandes provenant de pays où l'OCDE n'a pas encore désigné de dépositaire

peuvent être adressées à :

OCDE, Bureau des Publications, 2 rue André-Pascal, 75775 Paris CEDEX 16

Orders and inquiries from countries where sales agents have not yet been appointed may be sent to  
OECD, Publications Office, 2 rue André-Pascal, 75775 Paris CEDEX 16

OECD PUBLICATIONS  
2, rue André-Pascal  
75775 PARIS CEDEX 16  
No. 35,525. 1975.



*PRINTED IN FRANCE*

# OECD

*Department of Economics and Statistics*

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

## ANNUAL ECONOMIC SURVEYS

*Detailed surveys of development and prospects  
in each OECD country*

Per country	\$ 2.50	£ 1.10	F 10,00
Subscription for series	\$ 45.00	\$ 20.00	F 180,00

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

## OECD ECONOMIC OUTLOOK

*Each July and December the OECD ECONOMIC OUTLOOK surveys the latest economic developments in the OECD area and, by means of an integrated set of quantitative forecasts, assesses future prospects. In addition, there are frequently special studies designed to assist in the interpretation of economic trends.*