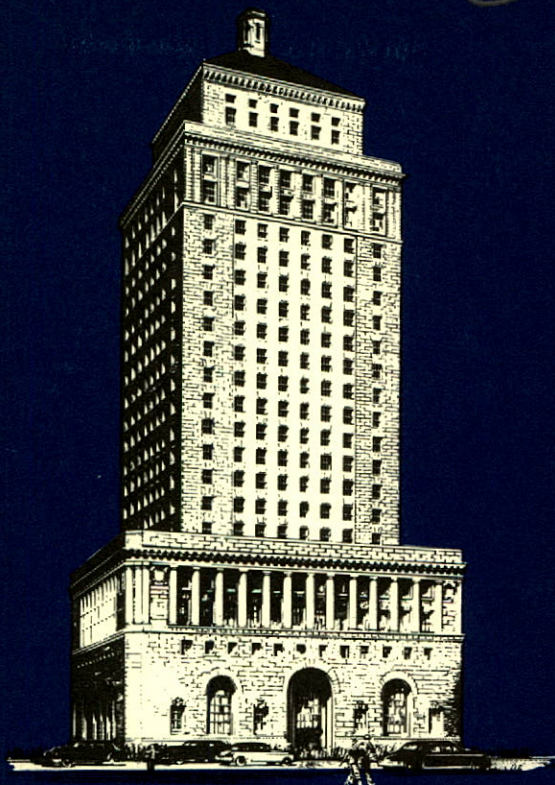


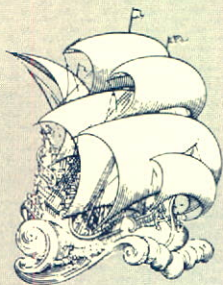
SUPPLEMENT TO THE REPORT OF THE PROCEEDINGS AT THE
EIGHTY-SEVENTH ANNUAL MEETING, JANUARY 12, 1956



Review of Conditions

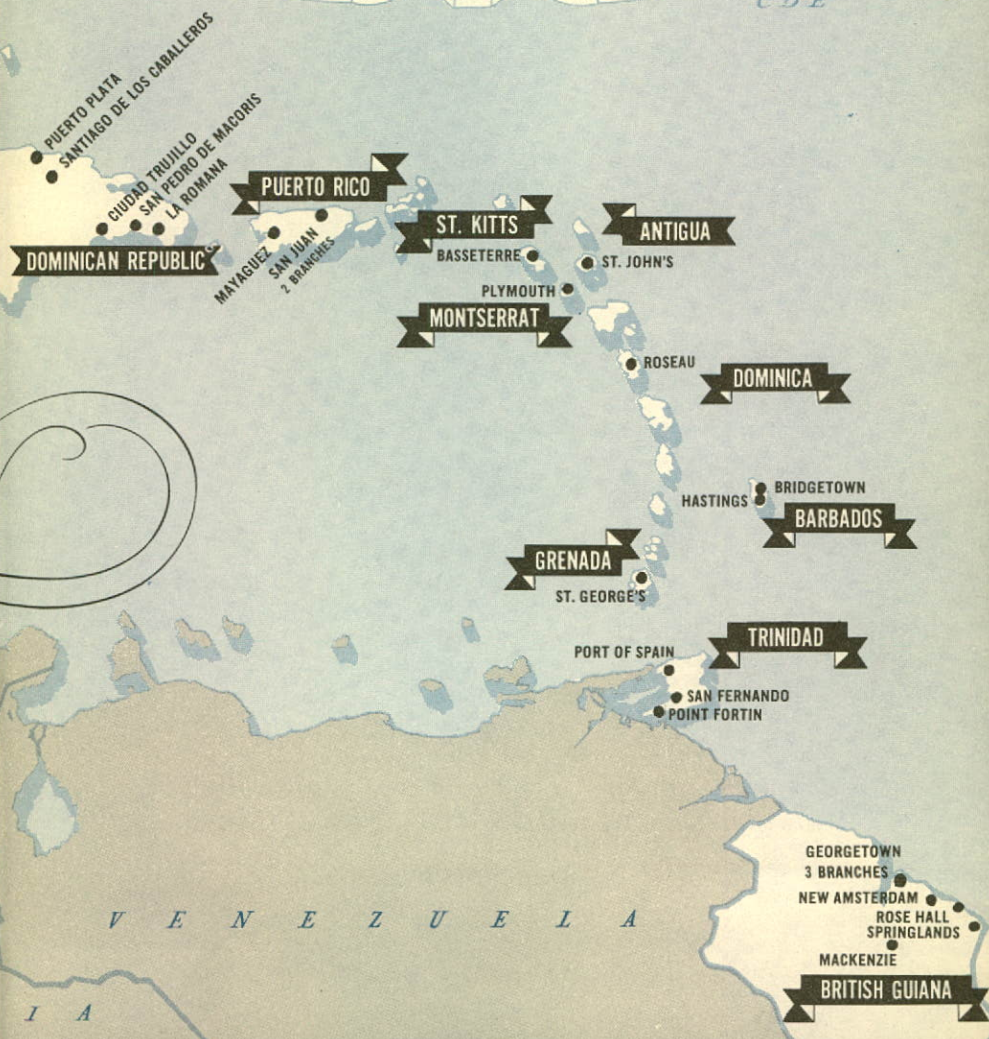
*in Cuba, the West Indies,
Central and South America*

THE FEBRUARY 1956 ANNUAL BANK OF CANADA



This map shows the location of the many branches of The Royal Bank of Canada in the West Indies. Established in the West Indies since 1899, the Royal Bank today operates branches in Cuba, the Bahamas, Puerto Rico, Haiti, Dominican Republic and many of the islands of the British West Indies.

For map showing location of Royal Bank branches in Central and South America, see inside back cover.



*Supplement to the Report of the Proceedings at the Eighty-seventh
Annual Meeting of The Royal Bank of Canada, January 12th, 1956*

Review of Conditions

in

CUBA

BRITISH WEST INDIES

BRITISH GUIANA BRITISH HONDURAS

DOMINICAN REPUBLIC

HAITI

PUERTO RICO

ARGENTINA BRAZIL

COLOMBIA PERU

URUGUAY VENEZUELA





Participation in the foreign banking field has been an outstanding characteristic of The Royal Bank of Canada for many years. As a result, the bank has become closely integrated with the financial and economic life of many nations, and is, for businessmen in those countries, a real and attractive symbol of Canada. With the expansion of the country's international trade, the bank's role has become increasingly important and the scope of its service expanded.

This booklet contains a review of conditions in countries abroad where The Royal Bank of Canada operates branches. It is supplementary to the Report of the Proceedings at the bank's 87th Annual Meeting which contains the addresses of the President and General Manager dealing with the general economic and financial conditions in Canada and abroad.

THE ROYAL BANK OF CANADA

REVIEW OF CONDITIONS IN CUBA AND THE WEST INDIES

CUBA

DURING THE YEAR 1955 business turnover generally has been well maintained, with betterment in some lines, although the impression is that in the wholesale and retail field a slight decline in volume might have occurred. Very few business failures of consequence have been noted. Price levels were fairly steady but domestic collections tended to be slow particularly at interior points. Credit continued to be in strong demand, but some dealers, primarily in agricultural and heavy construction equipment lines, began to follow a tighter credit policy; however, liberal terms for purchase of automobiles, appliances, etc., could be had owing to severe competition.

Cuba's dependence on sugar production with its sharp fluctuations and the resultant economic instability has always been a matter of serious concern to the authorities. Nearly half the total labour force of roughly one million work in various activities relating to the production of sugar and many of these workers have steady employment for only 3 or 4 months of the year. The same applies to a considerable number engaged in the tobacco industry. Consequently more and more thought and effort is being directed toward diversifying industry and finding ways generally to keep employment and the average standard of living on a more even keel. There has been much emphasis on Government financing directly and indirectly through autonomous agencies of projects for development of public services, agriculture and industry.

Exports for 1954 were \$539 million and imports were estimated at \$470 million compared with \$640 million and \$489 million respectively in 1953. No figures are available but Cuba has had a favourable balance of trade for many years and 1955 was not expected to be any exception. By far the bulk of foreign trade is conducted with the U.S.A. and sugar accounts for a large portion of the value of exports.

The production of sugar continues to be the most important single feature in the country's economy. Output in 1955 amounted to 4,396,603 Spanish long tons (2,271.64 lbs.) compared with 4,746,156 in the previous year. Mills in operation totalled 161. Production was slightly under the 4,400,000 long tons fixed for 1955 by Government Decree. The amount fixed for 1954 was 4,750,000 long tons. A development of interest during the year was the sale to Russia of around 500,000 tons at various times. As a result of this and other world demand the World Sugar Council increased quotas by 10% and later decreased them because of lower prices prevailing for a certain period. The upshot was that at time of writing Cuba's world quota stands at 2,020,347 Spanish long tons. The U.S. import quota was also adjusted upwards during the year and Cuba's participation was increased from 2,348,818 Spanish long tons to 2,517,863 Spanish long tons.

Indications were that the carryover into 1956 would be about 1,500,000 long tons against 1,900,000 taken into the 1955 season from earlier crops. However, when allowance is made for 1,050,000 long tons of 1952 Stabilization Reserve sugars the net carryover in each year would be reduced to 450,000 long tons and 850,000 long tons respectively. The average spot price in the U.S. market for the ten-month period ended October 31st showed a moderate falling off compared with the same period in 1954—U.S. per pound F.O.B. 5.017¢ in 1955 and 5.232¢ in 1954. The world price was fairly well maintained being an average of 3.25¢ and 3.265¢ per lb. F.O.B. over the period mentioned above in 1955 and 1954 respectively. The year on the whole has not been unfavourable and the increased sales effected have given rise to demands for a larger crop in 1956, totals of 4,750,000 and 5,000,000 tons being mentioned.

Climatic conditions were favourable to the growth and curing of the past tobacco crop and all but the poorer qualities have found a ready market. Production in 1955 was estimated at 590,360 bales compared with 656,572 in 1954. The value of exports in the twelve-month periods ended August 31, 1955 and 1954 was \$43.5 million and \$41.8 million respectively. The Government has again called on growers to reduce production, exempting a large number in a certain area where finer grades are yielded. This move is designed to lessen the carryover of inferior tobacco which finds its way to certain European markets or to destruction through the stabilization program.

The cattle raising industry continued to be stable with supplies of animals for slaughtering fairly well balanced with domestic consumption of beef, although drought in the early months of 1955 resulted in a rather serious shortage of fat stock. As a temporary measure the official maximum of $12\frac{1}{2}$ ¢ per pound live weight was increased to 14¢. The former price was reinstated in September after rain improved grazing conditions. The outlook for the industry appears favourable and there seems to be general

expectation that the official price will be raised, if only temporarily. In line with Cuba's endeavour to diversify her economy it is reasonable to assume the cattle industry will reflect a gradual increase in the future. This is borne out by the trend in recent years of some cane lands being allowed to revert to pasture.

The 1954/55 coffee crop at 837,708 quintals exceeded the previous one by 61,818 quintals. The 1955/56 crop year is expected to produce about 1 million quintals. For many years domestic consumption has pretty well equalled output and exports of coffee have been prohibited. However, the projected position after the next crop indicates a possible surplus of 439,000 quintals. Consequently the Government has decreed 35% of new crop coffee must be segregated and offered for sale only on the export market. Cuban coffee is not well known abroad and it is difficult to tell what the reception will be; however, nearly 60,000 quintals were reported to have been shipped so far. Other measures have also been taken to prevent price decline and price support is again being given through a Government entity.

Rice growing has continued to show steady progress and imports have declined steadily from 5,118 thousand quintals actually imported in 1951/52 to 3,250 thousand quintals in 1954/55 which amount was set as the import quota for that period and for the ensuing year. National production was estimated at 2,900,000 quintals in 1954/55 and 3,000,000 for the following season. Milling and storage capacity continue to increase. Prices in 1955 were lower but the well equipped and financed planters operated successfully although some of the small growers experienced difficulty.

The Government continued to give much encouragement to the expansion of industry and took steps to instigate several large public works projects. The Social and Economic Development Bank—(Bandes)—was established by Decree in February, 1955 with an authorized capital of \$15,000,000 represented by 150,000 shares, 50,000 each to be subscribed by the State, by autonomous organizations, and by banks and the public respectively. The object of the "Bandes" is the development of the country by way

of long term loans to industry, execution of public works, construction of hospitals, schools and houses for people in the low income bracket, improvement to harbour and dock facilities, etc.

Cia. Cubana de Electricidad has completed the first two units of a program of expansion calling for four new plants. When present plans are completed in 1958, designed to double the company's capacity for electrical output, investments in new installations will have totalled \$133,500,000 over a seven year period. To date financing has been met by loans placed with a number of banks in Cuba, through sale of the company's own bonds and the Export-Import Bank reportedly has loaned nearly \$47 million. A hydro-electric project at Hanabanilla Falls with capacity of 82 million KW hours per annum is scheduled to get under way very shortly, but it is not expected to be completed much before 1958. Cia. Cubana de Electricidad has contracted to purchase the entire output of the proposed plant.

The Government has initiated plans to establish a mill to produce newsprint from bagasse, the waste fibre from sugar cane. The bulk of the financing will be provided by "Bandes". It is hoped production by 1957 will reach 24/30,000 tons or almost sufficient to take care of the requirements of the national newspapers as they stand today.

The search for oil in commercial quantities continues and an international company, in co-operation with a local concern, has announced its intention to spend about \$15 million in exploration and drilling in Cuba. Three large companies are either erecting new or increasing existing refining facilities. Production in Cuba in 1954 was reported at 57,173 barrels but for the first six months of 1955 output was said to have totalled 151,122 barrels. The estimate for all 1955 was around 364,000 barrels. National consumption of oil is estimated at 55,000 barrels daily indicating production in Cuba as yet cannot be much over 2% of requirements. Annual imports of petroleum run to nearly 19 million barrels.

The ore mining industry continues active and one of the leading companies in the field recently announced that its production

would be stepped up by 75%. Exports of minerals such as copper, nickel and manganese are quite important to Cuba and amounted to \$29,913,458 in 1954.

The Government's budget for 1955 was based on estimated expenditure of \$312.8 million and ordinary revenues at \$291.5 million. The difference of \$21.3 million was expected to be met by collection of special taxes and surcharges and extraordinary defence taxes. Public Debt of the Republic as at June 30, 1955 amounted to \$507.3 million (authorized \$754.8 million) compared with \$354.5 million a year earlier.

BRITISH WEST INDIES BRITISH GUIANA BRITISH HONDURAS

THE MOST IMPORTANT CROP GROWN in the area is sugar. Production in 1955 amounted to approximately 1,100,000 tons as compared with 1,029,000 tons in 1954. The bulk of this commodity is sold to the United Kingdom Government at annually negotiated prices under the Commonwealth Sugar Agreement which has been renewed until 1963. The balance is disposed of in Commonwealth countries and others at world market prices. The negotiated price for 1955 at BWI\$195.60 per ton c.i.f. was slightly lower than the previous year's figure. There is not expected to be any carryover of importance from the 1955 output except in Jamaica where it is estimated 55,000 tons will remain unsold at the year end. A Bill cutting back sugar production by 12½% was passed by the Jamaica Legislative Council in October last. It will take effect from the 1957 crop. Unfavourable weather conditions adversely affected the quality of the rice crop in British Guiana, although the yield again exceeded that of the previous year. Exports of rice were the highest on record. Shipments of bananas from Jamaica for the year indicate a smaller quantity but improved quality. A long term contract to purchase all bananas grown in Trinidad and Tobago was arranged between the Government and a British firm during the year and this crop is likely to assume a much more

important place in the economy of the Colony in future. Bananas are an important crop in Dominica and shipments now represent 54.8% of total exports. The hurricane in Grenada did extensive damage to banana plants and it will be 12 to 15 months before replacement plantings bear. Cocoa production in Trinidad and Grenada increased but revenue therefrom declined owing to lower prices. Unfavourable weather resulted in a poor cotton crop in Montserrat where much dependence is placed on the revenue from this source. The planting season will be changed in 1956 and it is hoped that better yields will ensue. Antigua produced a record output of 1,200,000 pounds of clean lint in 1955 which was marketed through a Government Agency at BWI\$1.12 per lb. Prospects for 1956 appear favourable. Other crops in the area were for the most part satisfactory.

Trinidad continues to be a large producer of asphalt although the latest figures for part of 1955 reveal exports were off about 15%.

The oil industry is predominant in the Trinidad economy contributing roughly 34% of the Colony's revenue. Despite continual exploration no new fields of importance have been brought into production in recent years. Annual output remains fairly steady and over the past few years ranged from 21 to 24 million barrels. The search for oil continues in Barbados, British Guiana and British Honduras and exploration which is expected to be carried out on a broad scale in Jamaica is in the early stages.

The mining of bauxite is a major industry in British Guiana. The Colony's reserves are reported to be 4% of the world's known supplies. Exports for 1955 compared favourably with those of 1954 which exceeded 2,200,000 long tons. In Jamaica three world-wide companies are actively engaged in mining bauxite and production facilities are being expanded according to a recent announcement by one of them. During the year considerable outside interest was shown in the mineral possibilities in British Guiana and it is reasonable to expect that some exploration on a worthwhile scale will be carried out in the near term.

Increased efforts to attract tourists to the area are meeting with quite good results notably in the Bahamas, Barbados and Jamaica.

New luxury hotels and attendant facilities projected for the Bahamas and Trinidad should assist the program materially when they are completed. The outlook for the current season is said to be encouraging.

While unemployment in some sectors remains a problem, overall the situation was reasonably stable during the year under review.

Development of a new deep water harbour for Barbados costing several million pounds has been approved in principle and when completed will be valuable in facilitating movement of the sugar crop and shipping and commerce generally. Establishment of a free port in the Bahamas along with extensive harbour and manufacturing facilities has been authorized by the Government and should contemplated plans materialize the economy of these islands should benefit substantially from the project. British Guiana's Development Program, consisting of housing, irrigation and road construction undertakings amongst others, is proceeding satisfactorily. Expenditure for the first six months of 1955 amounted to approximately BWI\$7,000,000 which is \$2,000,000 less than the outlay in this connection for the whole of 1954. The Colonial Development Corporation continues its activities in the region and aid to pioneer industries in the form of customs duties concessions and tax privileges granted by some of the Colonies such as Barbados, British Guiana, Jamaica and Trinidad remains a potent force in attracting new enterprises.

Barbados, British Honduras and Grenada all suffered severe hurricane damage in certain sections in September last. Loss of life and destruction of property and crops was considerable and in each colony a strain on the respective economies will be felt for some time.

Finances of the various Governments are reported to be satisfactory generally although a few of the smaller colonies still rely on grants from the United Kingdom Government to assist in balancing their budgets.

During the past year further and more concrete steps were taken toward Federation in the West Indies. While many problems will require to be resolved before consummation, such will be an

important milestone in the history of the Colonies concerned and the Commonwealth.

DOMINICAN REPUBLIC

THE YEAR 1955 was satisfactory although conditions generally were not as buoyant as in the previous one which saw record levels attained in several fields. Exports of principal products were lower in both volume and value; consequently the business tempo evident in 1954 tapered off, collections were reported as being somewhat slower and credit was in good demand.

The exceptionally favourable trade balance of RD\$36.9 million in 1954 fell off sharply in the first eight months of 1955 although the result was not unsatisfactory in terms of similar periods in other years. Exports to August 31, 1955 were valued at RD\$78.5 million and imports RD\$60.7 million for a favourable balance of RD\$17.8 million compared with the figures of RD\$88 million, RD\$53 million and RD\$35 million respectively for the same period in 1954. The main contributing factors were the lower prices prevailing for coffee and cocoa and a smaller volume of shipments of the former while the value of imported goods was higher.

Sugar continues to be the country's most important product and in 1954 accounted for 33% of the value of all exports. Output for the 1954/55 year was 685,000 metric tons which includes a carry-over of 75,000 tons. Production in 1953/54 amounted to 649,000 metric tons. The Government decreed a quota of 711,156 metric tons for the past crop which was increased from 613,000 metric tons during the season but no details were given as to how the additional output permitted was to be allocated. The average price for sugar in 1955 was slightly lower than that prevailing the previous year. The carryover into the 1955/56 crop year was expected to be around 60,000 metric tons. Fifteen mills operated during the past season and two more with a combined potential of 17,500 tons of cane per day are under construction. Growing conditions have been favourable and the 1956 outturn of sugar is expected to be good.

The 1954/55 coffee crop was disappointing owing to inadequate rainfall and moved out more slowly because of the world supply generally and lower prices. In 1954 coffee accounted for 26.3% of the value of all exports. The 1955/56 crop is reported to be of good volume and quality and, being one of the earliest, obtains certain advantages in the international market. Marketing of all coffee produced is in the hands of *Cafe Dominicano C. por A.* which is owned by the Government and dealers in equal shares. Consideration is being given by U.S. interests to the establishment of a plant to manufacture "instant coffee". It would be the intention to produce for export as well as for domestic consumption. The Government continues its campaign to improve the quality and quantity of the coffee crop and it is estimated a 50% increase in production should be possible over the next ten years.

Cocoa growing is an important agricultural pursuit and exports over the past three years have averaged some 21% of the value of the whole. There are two harvests annually. Exports for the first eight months of 1955 were higher in volume but lower in value than in the previous corresponding period owing to the decline in price. Marketing is carried out by a semi-government entity, as is the case with coffee. Forecasts for the 1956 spring crop indicate it should be a good one. The Government continues to encourage the industry.

The 1955 tobacco crop provided a better yield than in 1954 and on the whole prices were higher. Production of bananas—an all-year crop—was expected to be higher in 1955 than in the previous year. Output is mainly consumed locally. Corn is raised on a fairly large scale but little is available for export, and the same applies to rice. The production of sisal is developing according to plan and a sack and bag factory, which is estimated can already supply one-third of the demand, commenced operations recently. Imports of jute and other sacks in 1954 cost RD\$1.5 million.

The Government continues to encourage expansion of industry and diversification. A public works program is being carried out on a large scale and it was reported late in 1955 that projects totalling RD\$97 million were in progress although no completion

timetable was given. The major undertakings include among others, lighthouses, a new international airport, seaport improvements, highways, bridges, aqueducts and irrigation canals. Work continues on the Haina River project which eventually will comprise drydocks and shipyard facilities generally, a free port and attendant installations with an ultimate estimated outlay of RD\$50 million. Substantial new construction resulted from the International Peace Fair which opened on December 20, 1955 in Ciudad Trujillo, the capital city. Two new hotels have been erected at a cost of RD\$5 and RD\$2 million respectively, the former having over 300 rooms. It is estimated that the Peace Fair will directly and indirectly involve an expenditure of RD\$20/30 million.

The RD\$7 million furfural plant at La Romana was officially inaugurated last April and the first shipment went forward in May. Plans have been made for an expansion of iron mining and for the exploitation of nickel, copper, gypsum, gold and petroleum deposits known to exist in the country.

Government revenue in 1954 amounted to the record figure of RD\$110.5 million and the budget for 1955 called for revenue of RD\$108 million which was expected to be easily met as receipts to August 31st were over RD\$86 million. The upward trend in bank note circulation continued into the past year and at August 31, 1955 amounted to RD\$41.5 million as compared with RD\$38 million a year earlier.

HAITI

COFFEE CONTINUES to be by far the country's most important export product. Total exports of all kinds for the first nine months of the Government's fiscal period which ended on September 30, 1955 were valued at 153 million gourdes compared with 234 million gourdes in the same period the previous year. Imports for the corresponding periods were 152 and 177 million gourdes respectively. It thus follows that the balance of trade up to June 30, 1955 was in favour of the Republic by 1 million gourdes compared with 57 million gourdes at June 30, 1954. The decline is accounted for by lower coffee and other crop exports as a result

of the devastating hurricane damage in October, 1954. Lower prices for coffee aggravated the position still more.

The 1955/56 coffee crop is just being harvested and no production figures are available. However, the yield is estimated at 325,000 bags of 80 kilos as compared with the 1954/55 outturn of 258,718 and the bumper 1953/54 harvest of 401,369. Prices have been lower than in 1954. The value of coffee shipments for the nine months period to June 30, 1955 was 109 million gourdes against 188 million for the like period in 1954.

The 1955 sugar output was estimated at 51,000 short tons raw value as compared with 45,000 in the 1954 season. The cotton crop was also expected to exceed the previous year's figure. Efforts are being made to revive the banana industry which has been on the decline since the peak year of 1946/47 when exports of more than 7 million stems were made as compared with the current rate of about 300,000. The production of sisal remains important and exports rank next to coffee in value. The price has remained fairly steady. The Government continues to encourage agricultural development. However, a severe food shortage existed in 1955 which called for emergency measures. Foodstuffs accounted for about 28% of the value of all imports for the nine months ended June 30, 1955.

The manufacture of cement, sisal bags and soap which commenced in the last year or two is playing an important part in the country's economy. The Artibonite Valley project destined to provide irrigation, drainage, flood control and agricultural development of 77,000 acres of that fertile valley at a cost of US\$20 million is progressing. The dam at Peligre to provide both irrigation and power is scheduled for completion in 1956. The installation of machinery, road building and other works by the Reynolds Mining Corporation in connection with the mining of bauxite are in the final stages of preparation for production. A wharf costing US\$1,000,000 is being built and should be finished in May, 1956 when mining operations are to commence. The Government continues to sponsor and protect local industry. Those of moderate size in the course of development or planned include factories to

manufacture nails, paint, vegetable oil, rubber heels and soles, glass, china and porcelain. While the latter individually do not represent large capital investment, collectively they will benefit the economy materially.

Prospecting for copper and lignite is being actively carried on in the north west district and exploration for oil continues.

The tourist industry is increasing in value to the Republic. During the first quarter of 1955 visitors to Haiti numbered 25,454 compared with 19,319 for the same period in 1954.

The Treasury deficit at June 30, 1955 amounted to 47.5 million gourdes against 37.9 million a year earlier. The National Budget, which has been approved, for the fiscal year ending September 30, 1956 totalled 128.1 million gourdes—about 1 million gourdes lower than the previous one. The Public Debt at the date mentioned above was 224 million gourdes which includes accumulated deficits. The figure at June 30, 1954 was 106.5 million. Most of the increase is accounted for by expenditure on the Artibonite Valley project, road building and housing undertakings, re-organization of the telephone and radio communication systems and electric plants at Aux Cayes and Jeremie.

The 1954 hurricane resulted in a heavy strain on the economy of the Republic and will continue to be felt for some time. However, considerable progress has been made on the road to recovery.

PUERTO RICO

PUERTO RICO'S ECONOMIC SITUATION again showed improvement in the fiscal year 1955 although progress was not quite up to the standard of the previous three years. The Commonwealth's net income rose to \$990 million, an increase of 3% over the 1954 level of \$961 million. Foreign trade was somewhat restrained in dollar volume mainly because of lower sugar prices; however, overall the year can be considered a satisfactory one.

Exports for 1954 totalled \$347 million and imports \$527 million compared with \$343 million and \$521 million respectively the

previous year. The apparent deficits are met by Federal grants, tourist revenue and invisible exports. Exports to the Continental United States for the first six months of 1955 at \$324 million were off \$2.7 million compared with the same period in 1954 and imports from the same area in the same periods were \$272 million and \$228 million respectively. Trade with countries other than the U.S.A. accounts for a relatively minor part of the whole.

Sugar is the Commonwealth's most important agricultural crop and continues to be the backbone of its economy. Production in 1955 was 1,166,000 short tons, about 24,000 tons below the 1954 level. The decline resulted from drought conditions and labour shortages in certain areas and restrictions put on acreage planted by the U.S. Department of Agriculture to reduce stocks on hand from previous years. It is estimated that sufficient cane to yield 100,000 tons of sugar was left unharvested. Puerto Rico's allotted marketing quota was 1,180,000 tons which meant 14,000 tons of previous years' carryover could be disposed of from the shortfall in the 1955 crop. The carryover now stands at 143,000 tons. The quota for 1956 has been fixed at 1,080,000 tons. Producers are turning more and more to the use of mechanical equipment to reduce costs which are said to be higher in Puerto Rico than in other domestic sugar producing and some foreign areas.

The 1954/55 coffee crop was about 40% lower than the outturn for the previous year and the period in review was one of uncertainty in the industry. The Government placed a retail price ceiling of .81¢ per pound for ground roasted coffee which limited the supply of native beans and resulted in large importations of cheaper grades from foreign countries. The 1955/56 harvest is expected to yield 309,000 cwt. and the Government has plans to purchase from producers at official prices all the coffee which cannot be sold to dealers.

Growing conditions for tobacco were favourable although the quality was not high. Output for 1954/55 was estimated at 340,000 cwt. which compares closely with that of the year before. The acreage under cultivation for 1955/56 has been calculated at 35,000, a very slight increase over last year. Production in other

lines of agriculture such as dairy-farming and pineapple growing reportedly increased.

While Government construction declined in value in 1955 this was almost fully offset by the increase in private building. Total permits were granted in the fiscal year for new works valued at \$55 million and in 1954 \$56 million. Construction continues to give strong support to the economy of the island.

The influx of new industry under the Government sponsored long-term plan to diversify the economy, so that less reliance has to be placed on agriculture, again made important gains. During the fiscal year ended June 30, 1955, 66 new enterprises commenced operations compared with 87 the previous year. This brings the total number of new factories brought into operation since 1947 to 326, employing 22,642 individuals. Approximately 90 more are expected to commence production in 1956. Two new oil refineries represent invested capital of \$35 million and an additional \$12 million will be spent on an anhydrous ammonia plant now under construction.

The textile industry recorded further progress during the year although certain branches of the needle-work trade continued to lose ground. In the latter section output is estimated at about 20% that of two years ago caused by higher wages, conceding Far-Eastern competitors a price differential, and a lesser demand in the U.S.A.

The importance of the tourist industry is growing under active promotion. A new International Airport was officially opened in May. The cost exceeded \$15 million and it is reported to be the most modern in the Western Hemisphere. It is a focal point for travel between the U.S.A., the Caribbean and Latin America.

The Government budget for the 1955/56 financial year which ends June 30, 1956 scheduled revenue of \$160.5 million and expenditure of \$181.7 million indicating a deficit of \$21.2 million. These figures closely approximate those estimated for 1954/55. Public Debt of the Commonwealth stood at \$58.1 million at June 30, 1955 against which \$10.8 million was held in amortization fund. Borrowing of \$18.3 million for economic development projects has been authorized but not yet placed.

R E V I E W O F C O N D I T I O N S I N C E N T R A L A N D S O U T H A M E R I C A

ARGENTINA

THE YEAR 1955 was a difficult one for the economy of Argentina. The unfavourable trend in the foreign trade position evidenced in 1954 continued into the following year. Large deficits were recorded by some entities operating under Government auspices, the money supply increased further, credit was in strong demand, and the inflationary tendency mounted. The most significant event of the year was the overthrow of the Peron regime in September and the setting up of a new provisional government which some seven weeks later was succeeded by another.

The result of foreign trade for 1954 was a deficit of Arg\$358.5 million and the trend carried into 1955, the position at the end of

the first four months being a deficit of Arg\$830.7 million compared with a favourable balance of Arg\$67.1 million for the previous corresponding period. It was estimated that the country's balance of payments for all of 1955 would be unfavourable to the extent of 186 million dollars. Pending foreign commitments at the end of 1955 approximated \$757 million and the significant feature of these is that they are mainly short term, all but about \$75 million falling due by 1959. Against this reserves of gold and foreign exchange are said to approximate \$450 million which is a small sum relative to the country's needs. Indications are that the bilateral trade policies in effect for some time past will be superseded by a multilateral system as existing agreements run out.

Agriculture provides the main support for the nation's economy, over 90% of exchange earnings being derived directly from farm production. It is apparent that the new Government intends to take active measures to encourage output and steps have already been taken in this direction. The export of meat has traditionally been regarded as a pillar in the Argentine economy and cattle raising has been given concrete recognition. However, domestic meat consumption constitutes something of a problem as roughly 87% of production is absorbed at home and the population is increasing. Basic herds are being improved by the importation of breeding stock and it is likely that with greater competition in the world cereal market marginal lands now used for the growing of grains will return to grazing.

The 1954/55 wheat crop was a record one at 7,690,000 tons compared with 6,200,000 tons the previous year. At October 31st last exportable stocks were estimated at 1,010,000 tons and the carryover into the new crop year has been estimated at 800,000 tons. Sowings for the 1955/56 year were reduced by about 12% and the serious drought in some areas as well as frost are expected to reduce production approximately 1,900,000 tons from the previous year's figure. Prices have been low in the period in review as a result of large surpluses in the U.S.A. and Canada overhanging the world market. Production of maize dropped sharply owing to drought conditions and scarcely any was available for export. The basic price to the farmer has been increased for the coming season and the Government has offered to assist growers by advancing money for seed and cultivation. The growing of

linseed and sunflowerseed is being encouraged. For many years the former was an important export crop but production has declined steadily. The sugar yield at 583.6 million kilos was lower than in 1954 (777.8 million kilos) due to frost damage but there was a large carryover from the previous year and the domestic supply situation should not be endangered. The crops of oats, barley and rye compared favourably with those of 1954. There is a substantial carryover in all three available for export. Heavy rains proved prejudicial to the cotton crop which was estimated at only 87,000 tons of low quality fibre. Domestic mills consume some 100,000 tons and there will be a serious shortage especially of long staple grades. Tea production is gaining in importance.

The 1954/55 outturn of wool was 165,000 tons compared with 180,000 the previous year and there is some carryover but reportedly not of large proportions. The clip in 1955/56 is expected to yield 156,000 tons. Production has declined about 30% in the past eleven years owing to rising costs and inadequate prices. However, the new official exchange rate and the likelihood of current and future clips moving out more quickly should encourage production.

Considerable headway has been made in the expansion of industry but before Argentina can be placed on a sound economic basis large investments by both local and foreign capital are required which will primarily increase exports or replace imports. Development has been hampered by a severe shortage of electric power and the lack of necessary equipment and materials owing to a dearth of exchange to pay for such imports. A new power station at San Nicolas has begun production with 75,000 KW and in a few months additional generators will increase the output to 300,000 KW. It will be about eighteen months yet before this power is available in Buenos Aires where 70% of the country's electrical energy is consumed. Improvements are under way to increase the natural gas supply in various areas. Industrial undertakings recently completed or planned include plants to manufacture automobiles, ophthalmic lenses, graphite and coloured pencils, tractors, chemicals, etc. A plant to manufacture polyvinyl chloride is proposed involving an investment of \$25 million and some Arg\$90 million to be furnished by British, French and local interests. A German firm in conjunction with an Argentine com-

pany is slated to install, at a cost of around \$14 million, a plant to produce sodium hydrosulphite.

The search for new oil fields continued with some success but not at a rate sufficient to satisfy the country's increased requirements. Crude oil production in 1955 averaged around 81,000 barrels per day which is about the same as in 1954. Daily consumption in 1955 was estimated at slightly in excess of 200,000 barrels per day; consequently a large portion of the country's requirements has to be imported, which uses up valuable exchange. Refining capacity at present is 201,000 barrels per day. The new Government recently indicated that substantial funds would be earmarked for exploration and development of the petroleum industry.

For some time Argentina's trade had been regulated by a complicated system of multiple exchange rates. The routine was cumbersome and some of the rates were most unrealistic. By a series of decrees last October, the new Government made radical changes in the exchange control system. The major alterations are the abolition of the buying and selling rates of exchange previously ruling in the official market, their replacement by a single official rate and the creation of a new free exchange market for financial remittances and certain other operations in which the rates will be determined by supply and demand. The official rate is now 18 pesos to the U.S. dollar and 50.28 pesos to the pound sterling, or the equivalent in other currencies, which is a more realistic value. The official rate will apply to a lengthy list of imports including fuels, essential raw materials, certain foods, paper and newsprint, drugs and chemical products, a wide range of iron and steel goods, certain types of agricultural machinery, and spares, tractor spares and motors for the manufacture of agricultural machinery, etc. The official rate will also apply to the greater part of Argentina's exports but many of these, as well as imports, will be subject to temporary levies. Financial remittances and other inward and outward movements of funds may now be effected freely at free market rates to be arranged between buyers and sellers. Generally speaking this applies to profits earned on foreign capital investments when relating to financial years closed on or after June 30, 1955, rents, dividends and interest earned after that date and to royalties accruing after October 27, 1955. Continued control over foreign capital already in the country is indicated by the Govern-

ment as being necessary for the time being, with eventual withdrawal of all restrictions being the declared aim. Some imports of goods may be undertaken without control at free market rates while other imports may also be brought into the country at the free market rate but attract surcharges. The devaluation of the peso was quite severe as will be seen from the fact that previously major exports were at an official rate as low as 5 and 7.50 pesos to the U.S. dollar and now yield 18.

The Consolidated Debt of Argentina at December 31, 1954 amounted to Arg\$40,359.9 million, an increase of Arg\$7,562.8 million over the previous year. Pension Fund or Social Welfare Bonds constitute 75% of the total debt. Note circulation of the Central Bank at September 30, 1955 amounted to Arg\$32,733.8 million compared with Arg\$27,412.3 million a year earlier.

BRAZIL

THE DIFFICULT ECONOMIC CONDITIONS experienced by Brazil for the past several years showed little, if any, improvement in 1955. Although facilities were expanded to some extent, industrial production was hampered by shortages of electric power and a scarcity of raw materials owing to restricted exchange availabilities and aggravated by unstable labour conditions. Federal, State and Municipal budgets continued to show heavy deficits which contributed to mounting inflation and increasing living costs. During the year business generally in the wholesale and retail trade was conducted at satisfactory levels but towards the end of the period there was a falling off in demand for non-essential merchandise and some slowness was evident in certain lines more especially in textiles. Prices continued to be high with a tendency to increase and instalment buying became prevalent. A tight money market existed accompanied by the customary heavy demand for credit facilities. Exports for the first six months of 1955 were valued at Cr\$11.2 billion a decrease of Cr\$2.1 billion compared with the corresponding period in 1954. Imports for the same periods were Cr\$12.4 billion and Cr\$14 billion respectively. The half year unfavourable balance is the equivalent of approximately US\$65 million converted at the official rate. The deficit mentioned above was attributed mainly to lower exports of coffee and cotton. Brazil

has been faced with a serious and deteriorating foreign trade position for some time. Export volume has actually declined since the war and has not kept pace with imports. In the past few years it has been possible to finance only roughly 85% of imports from normal exchange receipts. As a result the economy is confronted with the problem not only of paying for current imports but also of repaying outstanding debts out of inadequate exchange earnings. The trend in the country's foreign trade is to multilateralism and recently an agreement was entered into with Great Britain, the Netherlands and Germany. After touching a new low of Cr\$93.50 to the dollar and Cr\$250 to the pound sterling in March last the cruzeiro in the free market has strengthened fairly steadily in recent months, and toward the end of November stood at approximately Cr\$68 and Cr\$185 to the dollar and the pound respectively.

Coffee continues to be the mainstay of Brazil's economy, its chief export and largest exchange earner. The crop year 1955/56 (July-June) began with a carryover of roughly 6.5 million bags, about double the amount at the start of the previous season. Production in 1955/56 is estimated at 17/18 million bags of 60 kilos each. The output for the 1956/57 crop year is estimated at 13/14 million bags or about 4 million less than the previous one as a result of frost damage in the State of Parana. The outcome is not likely to be a rise in price since, taking into account the carryover in Brazil and world stocks, supplies generally are considered adequate for the anticipated demand. From January to September, 1955 exports of coffee from Brazil were 9.5 million bags compared with 7.5 million for the same period in 1954; notwithstanding the situation is uncertain. The efforts of exporters to obtain better prices and those of the Government to place the economy on a sounder basis have not always found agreement on both sides. Although in February last coffee was transferred from the 1st to the 2nd category, improving the bonus received by exporters through the better rate of exchange, and the minimum export price was lowered, the necessary confidence in the market needed to promote freer movement was not regained. The Brazilian Coffee Institute supported the market by buying approximately 4 million bags up to the end of April which stocks are still in the warehouses of the Institute. In the first six months

of 1955 coffee contributed \$350 million to foreign exchange revenue compared with \$471 million in the same period the previous year and \$20 million short of estimates. The outlook for the last half of 1955 at time of writing appeared more encouraging. While exchange revenue will likely be lower than in the corresponding 1954 period owing to lower prices, shipments should be larger as a result of low coffee stocks in importing countries. Internal prices during the coming year will, of course, be dependent on the policy of the new Government slated to take office on January 31, 1956.

Production and export of cotton still ranks second to coffee in Brazil and is an important segment of the economy. Exports for the first six months of 1955 were valued at Cr\$1.2 billion compared with Cr\$2.1 billion in the same period in 1954. The decrease reportedly was due mainly to uncompetitive prices of Sao Paulo cotton. Production in the North Eastern zone for the 1955/56 crop year which ends July 31st next is estimated at 95,000 metric tons and the new season commenced with a carryover of 5,000 tons. The output mentioned compares favourably with the previous year. The crop year in Southern Brazil commences in March and the 1955/56 season is expected to produce about 232,000 metric tons compared with 220,582 tons in 1954. There was a carryover into the 1955 crop year of approximately 40,000 tons in this area. Plantings for the new crop in the south are expected to increase by 30/35% and a yield of 275/300,000 metric tons should be forthcoming provided growing conditions are favourable. Overall there was some uncertainty in the cotton market in the year in review owing to exporters awaiting official announcement of modifications in a new exchange reform edict which has not yet been proclaimed, and also by virtue of the large surplus in the U.S.A. Last May cotton was transferred from the 2nd to the 3rd export category to meet competition on world markets and demands of planters and exporters.

The 1955 cocoa crop was expected to be approximately 161,000 tons compared with 162,947 tons in 1954. Exports for the first six months of the year were valued at Cr\$486.5 million. Sugar production is becoming more important annually and for 1954/55 amounted to 34 million bags.

Brazil occupies fifth place amongst world tobacco producers and sixth as an exporter and the annual harvest in recent years has exceeded 130,000 tons. Sisal, rice, tea, tomatoes, bananas, nuts and apples amongst others are also produced on a fairly important scale.

Industrial expansion in Brazil has progressed remarkably in the past ten years mainly in the capital goods field and to a lesser but still important extent in consumer goods output. Largest gains have been made in the steel and cement industries. Rapid headway has also been recorded in other lines. Three new oil refineries were put into operation in 1954 which are expected to save upwards of \$40 million in exchange yearly because of the lower cost of crude supplies as compared with that for refined oil products. Automobile and truck output will be doubled. During the year 1955 new factories were opened to manufacture office machinery and sewing machines. Plants to produce the following have either commenced operations or are planned for the near future: locomotives, precision parts for mining machinery, etc., aluminium, trucks, telephone equipment, motors, automobiles, drugs, tractors, abrasives and toilet preparations. However, industry faces the serious problems of the shortage of foreign exchange with which to buy machinery and raw materials and the lack of fuel and power. While power output has increased, insufficient supplies are likely to obtain for several years.

The constantly rising cost of living was an unsettling feature and brought about a number of strikes or threatened work stoppages during the past year. A strike of dock workers in Santos in July last is said to have cost the nation Cr\$30 million. The labour situation is still unsettled and workers in various industries are pressing claims for wage increases ranging from 25% to 40%.

The cost of living in Rio de Janeiro in August was 11% greater than in December, 1954 and 22% higher than in December, 1953. In Sao Paulo the respective increases percentage-wise were 12% and 17%.

Federal revenue from all sources totalled Cr\$20,063 million in the first half of 1955 against expenditure of Cr\$23,013 million resulting in a deficit of Cr\$2,950 million. Expenditures of

Cr\$29,478 million were authorized but economies were effected by all Ministries except those of the Army and Navy. Paper currency in circulation at October 31, 1955 was Cr\$65.5 billion compared with Cr\$54.5 billion a year earlier.

Presidential elections took place on October 3, 1955 but at time of writing the final results had not been declared. However, preliminary figures point to the election of Sr. Juscelino Kubitschek as President and Sr. Joao Goulart as Vice-President. The successful candidates are scheduled to take office on January 31, 1956.

COLOMBIA

THE YEAR 1955 saw business generally in Colombia conducted at reasonably satisfactory levels although the average price received for coffee exports was lower than in the previous period. Domestic bills were fairly well cared for but slowness in certain districts was evident. Owing to an exchange shortage foreign bills have been subjected to delays of up to three months before settlement. Manufacturing plants for the most part operated normally and essential raw material imports were obtained without difficulty. During the year further restrictions were placed on merchandise imports in view of the unfavourable exchange situation. The cost of such were consequently higher and with credit expanding and domestic purchasing power at a fairly high level, inflationary pressure increased.

In the first six months of 1955 Colombia's exports amounted to US\$254.4 million and imports US\$353.6 million for a deficit of US\$99.2 million. This corresponds with a favourable balance of US\$17.6 million in the similar 1954 period when exports and imports were US\$275.4 and US\$257.8 million respectively. Foreign exchange purchased by the Banco de la Republica from all sources for the first ten months of 1955 totalled US\$458.4 million and authorized sales were US\$615.7 million leaving a deficit of US\$157.3 million. Import licences registered in the same period were US\$505.5 million. Gold and dollar reserves of the Central Bank at the end of October were reported as US\$130.4 million. This figure compares with US\$257 million at the end of 1954.

The production of coffee continues to be the dominating feature of the country's economy accounting for some 83% of the total value of all exports. During 1955 to mid-November, 5,071,628 bags of 60 kilos each were shipped compared with 5,066,322 in the comparable period in 1954. Seasonal rains have delayed picking but in general conditions are favourable for the coming crop and it was estimated that coffee exports for 1955 would be close to 6 million bags as compared with 5.7 million in 1954. In an endeavour to stabilize the coffee industry Colombia joined with Brazil, Mexico and other producing countries in Central America and the Caribbean area to form an organization known as Oficina Internacional del Cafe. While minimum prices were not agreed upon export quotas as follows were allocated for the coffee year which began July 1, 1955 and ending June 30, 1956: Brazil 15,350,000 bags, Colombia 5,650,000 bags and Mexico and others 5,250,000 bags of 60 kilos each. Production of many staples falls short of local requirements and it is still necessary to import cocoa, wheat, rice, cotton, dairy products, canned meats and fish among others. Cattle are raised on a fairly important scale and to improve the basic herds numerous breeding animals were imported during the year.

The output of crude oil for the first nine months of 1955 totalled 29.2 million barrels (42 U.S. gallons) compared with 30.4 million in the previous corresponding period. Late in the year in review seven companies were operating twenty rigs and 1,769 producing wells and had some 7 million acres under contract. The oil industry employs about 13,000 persons. Supplies are still insufficient to meet local demand and oil products on the order of US\$18 million are imported annually. A 12 $\frac{3}{4}$ -inch pipeline running for 119 miles between the Velasquez field and Galan along the Magdalena River has been completed. A 65 mile 6" and 8" products pipeline from the Pacific port of Buenaventura to Cali was expected to have been completed by the end of 1955. Other lines are planned.

The Government continued to encourage the expansion of industry and was active in a program of public works. Electrical power installations, sewage systems, water works and air, road and rail transportation systems have received and are being given attention. Loans totalling US\$94.7 million have so far been

granted by the International Bank for Reconstruction and Development to assist with various projects. One large American rubber company is erecting a plant to manufacture tires and other rubber products and another has enlarged its facilities. A well known British firm, manufacturer of thread and allied products, is constructing a plant to care for the needs of Colombian customers. Two German firms have been awarded contracts to construct fourteen bridges in the country at a cost of some US\$4.2 million. The Instituto de Fomento Industrial—a Government entity—in association with a Colombian and a U.S. concern is planning a pulp and paper factory. Work is scheduled to get under way soon on a new refinery to be built at Cartagena by International Petroleum (Colombia) Ltd. The cost is estimated at US\$30 million and its capacity will be in the neighbourhood of 25,000 barrels daily. The National Government recently passed legislation providing for a “free industrial zone” in a slum section of Barranquilla when the area prescribed has been cleared and other housing has been made available for the affected inhabitants. Industries in the zone will be able to import raw materials and export finished goods duty free.

The Colombian budget for 1956 calls for a balanced position with revenue and expenditure each estimated at 1,202 million pesos. To reduce and consolidate some 76 different types of obligations bearing interest from 3% to 8% authority has been given for the Government to unify the public debt by issuing Col.P.325 million in 5% internal bonds. Bank notes of the Banco de la Republica in circulation at November 25, 1955 amounted to Col.P.652.8 million compared with Col.P.651.9 million on November 26, 1954.

While the year in review brought its problems of exchange shortages, consequent import restrictions and a backlog of unpaid foreign commercial bills, given favourable conditions in the world coffee market, temporary difficulties in Colombia could be overcome in a relatively short period. A country whose economy is tied principally to one export item such as Colombia's is with coffee, cannot help but be in a vulnerable position, but good progress has been and continues to be made in diversification.

PERU

DURING THE YEAR business generally was at a satisfactory level with the change from a sellers' to a buyers' market being accelerated. For the most part stocks were normal and adequate but in the final months excesses were becoming apparent in textile, toy, household appliances and electrical equipment and fixture lines. Foreign collections were well taken care of although delays were frequent in taking up domestic bills at some points. Liberal terms were available for purchase of durable goods and there was considerable demand for bank credit. The cost of living index showed a moderate increase.

The foreign trade position of Peru which improved in 1954, there being a deficit of \$2.1 million for that year, deteriorated for the first nine months of 1955. In that period exports totalled \$186.5 million and imports \$214.3 million for a net unfavourable balance of \$27.8 million. Gold and foreign exchange assets of the Banco Central de Reserva at September 30, 1955 amounted to \$29 million, approximately the same as those of December 31, 1954. The \$30 million stabilization fund loan granted by the U.S. Treasury, The International Monetary Fund and The Chase National Bank in February, 1954 was renewed for a further year. Up to the present the Central Bank has not had to draw on this fund. For the first nine months of 1955 exchange income and disbursements were the equivalent of \$268 million respectively, leaving a balanced position. In March, 1955 the Central Bank stabilized the rate for export dollar exchange at 19 soles to the dollar and this policy obtained up to the time of writing.

Cotton is the most important agricultural crop and in 1954 exports of this commodity contributed roughly 25% of the value of all exports. Unfavourable weather conditions prevailed in most growing areas and production for 1955 was estimated at about 95,000 metric tons compared with 109,000 metric tons in 1954. The quality of the current crop is inferior to the previous one because of a relatively high degree of stain. Market conditions during 1955 were not good because of the loss of certain traditional buyers and also owing to surplus stocks held by the U.S. Government, part of which will be offered at competitive prices in 1956,

according to reports. This has slowed normal European purchases. Domestic consumption takes care of about 15,000 metric tons.

Sugar production for 1955 was estimated at 646,000 metric tons compared with an output of 637,621 in 1954. Local consumption in 1955 is expected to utilize 192,000 tons, leaving 454,000 for export. Sugar is the country's second most important export product and shipments in 1954 were 457,000 tons. Peru has been able to find markets for its exportable surplus and the outlook for the industry appears satisfactory. While no figures are available it is said that the country's production of rice, corn, potatoes and other field crops has risen during the year in review under the continued stimulus of financial aid from the Peruvian Agricultural Bank and a growing domestic market.

The Government continued to encourage foreign investment for the development of national resources and expansion of industry. Early in the year a \$27 million contract was entered into by the Government with French banking interests for completion of the steel mill and hydro-electric project at Chimbote. Production is expected to commence in 1956 with an initial capacity of 50,000 tons per annum. A cement plant came into production in 1955 and a further one in Northern Peru is being financed with the help of the World Bank. During the year World Bank loans totalling some \$25 million were obtained; \$18 million has been earmarked for completion of the second stage of the Quiroz-Piura irrigation project and will make available for agriculture 125,000 acres of presently arid land; \$5 million is for highway maintenance and to train highway personnel in modern maintenance methods. The Government is planning another project in the coastal region near Ica, south of Lima, which will irrigate 126,000 acres of presently uncultivated land. Factories to manufacture fertilizers, rubber goods and explosives were under way or planned and considerable progress was made on the Le Tourneau project in the Amazon area, relative to clearing and colonizing about a million acres of arable land and constructing a connecting highway.

Considerable interest was shown in new prospects for lead, zinc, copper, nickel and cobalt. The Export-Import Bank granted a loan of \$100 million to the Southern Peru Mining Corporation for the development of the Toguepala copper deposits—reserves estimated at 400 million tons—which will take about three years

and cost overall around \$300 million. When fully in operation it is expected production will reach 140 thousand tons of refined copper per annum. Exports of copper in 1954 were 37,502 metric tons and in 1955 approximated that figure. Petroleum production in 1955 was estimated at 51/52,000 barrels per day or 18/19,000,000 per annum; 1954 actual was 17,161,525 barrels. Domestic consumption is rising and is estimated at 14/15 million barrels per annum. Efforts to bring in new areas of production have been disappointing, particularly in the Sechura Desert area where 16 dry wells have been drilled so far. Major development interest at the moment is concentrated in Eastern Peru and exploration is being carried out by several international companies.

The Republic's proposed budget for 1956 scheduled income and expenditure of 3,776 million soles compared with 3,359 million in 1955. The public debt, both external and internal, at December 31, 1954 amounted to the equivalent of approximately \$160 million. A general election has been called for June 3, 1956.

URUGUAY

URUGUAY'S BALANCE OF TRADE showed a deficit of \$23 million in 1954—exports \$249, imports \$272—and this unfavourable trend continued in the first five months of 1955, the deficit being \$8.3 million for that period when exports totalled \$78.5 million and imports \$86.8 million. Imports for 1955 are expected to be considerably lower than in the previous year. Import capacity depends almost entirely on revenue from exports, as the influx of foreign capital is usually of small importance. Export trade with Continental European, and American countries (excluding U.S.A.) has increased while the reverse has taken place with the U.S.A. and the sterling area. Important purchases of basic Uruguayan products such as linseed oil, wool and hides have been effected by Eastern European countries and U.S.S.R., notwithstanding that imports from that region were negligible. New bilateral trade agreements were signed during the year, such agreements having now become the general rule in Uruguay's foreign commerce. Gold and foreign exchange holdings (net) of the Bank of the Republic amounted to \$150 million as at August 31, 1955, a drop of \$28 million compared with the figure at the end of 1954.

Currency in circulation at the former date was the equivalent of approximately \$100 million calculated at the free exchange rate at time of writing.

During the period under review business in general was rather depressed. Money was tight, sales and collections slow and credit in considerable demand. For the first half of the year the peso held up quite well in the free market but in the later months fell off to around Urug\$3.90/4.00 in terms of the U.S. dollar in November when it showed signs of firming. The inflationary trend continued upward.

Favourable weather conditions resulted in generally high yields of agricultural crops. While the wheat harvest is estimated to be below the record 1953/54 outturn of 818,000 tons there was a carryover from that crop. In the face of an already saturated international wheat market this poses a serious selling problem and subsidy payments will add to the strain on Government finances. The maize crop amply took care of the country's requirements.

Livestock was in good condition with the sheep population increasing, but unfortunately the number of cattle has been declining since 1951. Foreign packing plants up to July had been almost completely paralyzed for a year from lack of animals for processing. The Frigorifico Nacional which has an exclusive arrangement to supply domestic needs and has a first call on cattle offered for sale, found it difficult to cope with the volume. The foreign plants in recent months have only been operating on an average of two days a week and are allowed to slaughter only for canning purposes. High production costs aggravated the problem of finding remunerative markets for processed meat as this factor pushed selling prices beyond the international level; consequently Government support had to be continued. The production of meat has been the traditional basis of the Republic's economy and an increase is indicated as being necessary to counteract inflation to some degree. The Government has recently set aside Urug\$18 million to encourage the cattle industry.

The 1954/55 season which ended September 30, 1955 saw a wool clip of approximately 202 million pounds which compared favourably with that of the previous year. The sheep population

over the 1951/54 period increased by about 3½ million head. Some 30/40% of the 1954/55 production remained unsold within a few weeks of the new clip when the Government authorized a premium of \$.21 per U.S. dollar for all exports to December 31, 1955. Notwithstanding, there was little movement, because prices asked were in excess of the world market figure and the problem is a serious one for the country. Wool in recent years has been the largest export item. During the 1954/55 wool year 128,940 bales were shipped compared with 156,853 in the previous period, with Holland replacing the United Kingdom as the largest importer, having taken 43,846 bales. The market for sheepskins and hides remained quiet.

The rising cost of living created a general restlessness in labour circles and there were many demands for higher wages during 1955. Lack of work resulting from reduced operations in the meat and wool industries placed a severe strain on labour relations in those organizations, with workers demanding higher wages to compensate for the shorter working time. There was considerable unemployment and it continues to increase.

The estimated budget for 1955 scheduled revenue at Urug\$454 million and expenditure at Urug\$509 million for a deficit of 55 million. This compares with a reported deficit of Urug\$53 million in 1954 and Urug\$92 million in 1953. Unconsolidated deficits to the end of 1954 are said to total Urug\$256 million. New taxation and more efficient collection of existing levies were expected to produce Urug\$56 million which, if accomplished, would result in an approximate balance for the year under review. Uruguay's public debt at the end of October, 1955 was Urug\$1,205 million of which Urug\$101 million was external. It was estimated the debt at the end of 1955 would be Urug\$2 billion arrived at by adding to the October figure Funded Debt not yet in circulation of Urug\$450 million and a new bond issue to cover deficits of Urug\$280 million. During the year the International Bank for Reconstruction and Development granted the Uruguayan State-owned electric and telephone company a 20-year loan of US\$5.5 million, repayment to begin in 1958.

VENEZUELA

THE CONDITION OF THE VENEZUELAN ECONOMY on the whole continued to be satisfactory in 1955 although some levelling off took place in certain sectors as a result of large capital undertakings coming to completion. The country's exchange position remained strong, industrial expansion was maintained and both commercial and domestic types of construction went forward on an important scale in most of the larger centres with the expected attendant improvement in the standard of living. Business transactions throughout the Republic revealed a general falling off as compared with 1954. The money supply was tighter, consequently collections were slower. The foregoing brought about keener competition, price concessions, heavy advertising and forced rather liberal credit terms. Inventories were adequate. No bankruptcies involving other than minor losses to creditors have been reported. With the contemplated early commencement of several large Government projects, prospects for 1956 seem bright.

The production of oil is the dominant feature of the economy but important strides have been and are being made towards diversification. Venezuela is the second largest producer of oil in the world, being exceeded only by the United States. World production of petroleum for the first six months of 1955 totalled approximately 14.9 million barrels (42 U.S. gallons) daily of which Venezuela's share was 2.1 million barrels daily and it is likely the flow obtained at about the same rate over the balance of the year. This daily average represents an increase over 1954 of 213,000 barrels. The 1953 daily average was 1,765,000. Petroleum and its derivatives make up roughly 95% of the annual value of the country's exports and directly or indirectly contribute in the neighbourhood of 65% of its revenue. Refinery capacity exceeds 500,000 barrels daily and this will be increased in the near future according to the announced intentions of several companies to expand present or create new facilities at a cost of some \$40/50 million. Capital expenditure by the oil industry in 1955 is estimated at around \$100 million involving pipe-lines, gas re-injection plants and refinery extensions. No new concessions have been granted by the Government since 1945 notwithstanding the fact that only

18% of the acreage considered as having potential oil production is under title.

The value of exports for the first six months of 1955 was 3,038 million bolivares and imports 1,441 million bolivares. Both figures reveal increases over the corresponding 1954 period. Gold and foreign exchange assets held by the Central Bank as at June 30, 1955 amounted to approximately \$528 million, and gold reserves were equivalent to 120% of notes in circulation.

The production of iron ore is steadily gaining in importance. Four million metric tons of ore were mined in the first six months of 1955 as compared with 5.3 million tons for all of 1954. The estimated output for 1955 at the indicated rate is 8 million tons. Venezuela is now the leading supplier of iron ore to the United States and it is hoped to increase exports to England and Germany.

Construction of a steel mill near Puerto Ordaz being sponsored by the National Government is expected to get well under way shortly. It is reported that when completed by 1958 this plant will be the most modern in the world, occupying 2.8 million sq.m. and employing 5,000 workers. The cost will be in excess of 400 million bolivares with an initial and ultimate annual capacity of 120/150,000 and 500,000 tons respectively. Rich manganese deposits discovered in the area and the coalfields of Naricual with estimated reserves of 15,000,000 tons of good quality coal will be advantageously exploited in connection with the steel industry. Another important project is the hydro-electric development on the Caroni River with a potential of 500,000 KW. The completion of the first stage has been planned for early 1957. Other important industrial undertakings already in motion or imminent are expansion of petro-chemical manufacturing facilities particularly for nitrogen, sodium carbonate and explosives. Paper, tire, cement and glass factories, a tannery, and milk pasteurization plants are planned or being constructed. Lighter industry also continues to receive encouragement by the authorities.

Further progress has been recorded in the field of agriculture with the Government continuing to provide valuable assistance to accomplish their expressed aim of increasing production of staple food crops to a point where domestic consumption is satisfied. This goal has been reached for sugar, rice and maize and it was estimated there would be exportable surpluses in these commodities

in 1955. Livestock raising is assuming more importance and 5,000 bulls for breeding purposes are in the course of being imported. Coffee and cacao growing remains an important segment of the agricultural production although latest available figures indicated exports for 1955 would be lower than 1954.

The Government was active in the Public Works Program, particularly with regard to housing in the Federal District and dredging in Lake Maracaibo. Road and railway construction throughout the country is being carried out on a large scale and an ambitious program has been mapped out for the next several years.

No unrest of consequence was reported in the ranks of labour during the year and unemployment was at a minimum.

The financial condition of the Republic remained satisfactory. It was estimated that a surplus of 200 million bolivares would be recorded for the year ended June 30, 1955. The budget for the current period listed estimated expenditures of 2,550 million bolivares with revenue estimated at the same figure but a surplus of 300 million bolivares is expected which, together with the previously accumulated surplus, will be utilized for public works not specifically scheduled in the budget.

*Approximate Canadian dollar equivalent, as at time of writing,
of local currencies referred to in this supplement:*

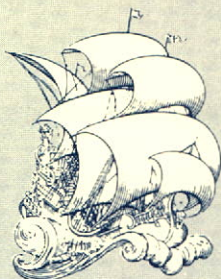
	Local Unit of Currency	Canadian Dollar Equivalent
Cuba	peso	\$1.00
United States	dollar	\$1.00
British West Indies (Eastern Caribbean and British Guiana)	B.W.I. dollar	\$0.58
British Honduras	B.H. dollar	\$0.70
Jamaica	pound	\$2.80
Nassau	pound	\$2.80
Dominican Republic	peso	\$1.00
Haiti	gourde	\$0.20
Argentina	peso (official)	\$0.055
	peso (free)	\$0.028
Brazil	cruzeiro (official)	\$0.054
	cruzeiro (free)	\$0.015
Colombia	peso (official)	\$0.40
	peso (free)	\$0.25
Peru	sol	\$0.05
Uruguay	peso (official)	\$0.47
	peso (free)	\$0.26
Venezuela	bolivar	\$0.33



The many important cities of Central and South America served by The Royal Bank of Canada are shown on this map. The Royal Bank has operated branches in Central and South America for over 40 years. Officers of the bank know the language and the people and their ways of doing business. This knowledge can be of practical value to anyone with business interests in the southern hemisphere.



WEST
INDIES



CARACAS
PUERTO LA CRUZ

CIUDAD BOLIVAR

VENEZUELA

PUERTO ORDAZ

GEORGETOWN 3 BRANCHES
NEW AMSTERDAM
SPRINGLANDS

ROSE HALL

DUTCH FRENCH

MACKENZIE

BRITISH GUIANA

BRAZIL

PERNAMBUCO (Recife)

BOLIVIA

PARAGUAY

SAO PAULO

SANTOS

RIO DE JANEIRO

URUGUAY

ARGENTINA

MONTEVIDEO
BUENOS AIRES
2 BRANCHES

ATLANTIC
OCEAN

CHILE

