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TO: Department of State

FROM: AmEmbassy, RIO DE JANEIRO

July 16, 1964.

SUBJ: Submission of Latest GNP Data for Brazil.

REF.: CERP D-12

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There is transmitted herewith Brazilian national account data insofar as it is available through 1963 plus certain material with respect to agricultural and industrial production in 1963. The tables submitted which are based on calculations made by the Getulio Vargas Foundation, are listed at the end of this airgram.

It will be noted that, according to the latest estimates which must still be considered provisional, Brazil's Gross Domestic Product reached a value of Cr\$ 9,847 billion in current prices in 1963. GDP per capita, in 1963 at current prices amounted to Cr\$ 127,000, assuming a population of 77.5 million. (See Enclosure 1).

The constant price calculation (Enclosure 3) shows that, according to these preliminary estimates, Gross Domestic Product rose by only 2% in 1963 and actually declined in per capita terms by 1.1%. This, as Enclosure 3 indicates, marks only the second time since 1947 that GDP has declined in per capita terms.

As indicated in the following breakdown all sectors declined in per capita terms in 1963 except for Transportation and Communications, indicating that the slump was general:

<u>S e c t o r</u>	<u>% Variation over 1962</u>	<u>Per capita % Variation over 1962</u>
Agriculture	+ 0.1%	- 3.0%
Industry	+ 2.8%	- 0.3%
Commerce	+ 1.1%	- 2.2%
Transp. & Communication	+ 6.3%	+ 3.2%
Others	+ 2.9%	- 0.2%
Total:-	+ 2.0%	- 1.1%

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A number of factors accounted for the decline in the growth rate in 1963; among them: bad weather, - particularly the drought in the central-south region which affected both agriculture and industry - the latter through the necessity of power rationing;- constant strikes and work interruptions; vacillating government policy on foreign exchange and price controls; the unprecedented rate of inflation which made cost estimates difficult and no doubt had an adverse effect on the investment climate; and, finally, the general investment atmosphere which was characterized by an openly hostile attitude toward foreign investment and by the general political uncertainty which discouraged domestic investment.

Unfortunately, no calculations have yet been completed in terms of an expenditure approach due to the lack of statistics ordinarily made available by the Brazilian Institute of Geography and Statistics (IBGE). Apparently, a vast part of the funds of this organization was diverted to other uses during the Goulart regime so that it was unable to carry out its normal operations. If statistics were available which would make possible a breakdown on the expenditure approach (i.e. consumption, investment, government), there is little doubt that these statistics would show a decline in investment. Foreign investment, by all indications was practically nil in 1963 - indeed, the Vargas Foundation estimates a net outflow of foreign capital in 1963 of Cr\$ 52 billions - and there is little evidence of any substantial private domestic investment in fixed capital in any sector.

As Enclosure 5 indicates, those industries now reportedly in difficulty also did not do well production-wise in 1963. Automobile production declined by 8.9% in 1963 while textile output declined by 1.3%, leather goods by 7.2% and tobacco products by 1.9%. The electrical industry output increased by 2.9% which is a decline in per capita terms. This fact suggests that the difficulties now being experienced by these industries are of a deeper origin than such stabilization efforts as have been taken by the new government. Additionally, if it is true that there was a decline in investment in 1963, as there most certainly was in 1962, a favorable business climate, which would include a serious stabilization effort, could probably induce a sufficient increase in investment to offset any further production declines the consumer durables industry might temporarily suffer as a consequence of stabilization.

For end-users interested in making dollar comparisons, it is suggested that the constant price series be used applying the free market exchange rate of the base year (1949). This was a period of relative political stability, and, while not an accurate measure of purchasing-power parity, it is at least an exchange rate devoid of the kind of speculative influences which have affected the rate in times of political uncertainty. Using the average exchange rate of 1949 of Cr\$ 29.46 to \$1.00, the GDP in 1963 would amount to approximately \$15.5 billion; with per capita GDP amounting to \$197.

The above analysis is submitted for internal U.S. government purposes only.

For the Ambassador,

John Krisey
First Secretary of Embassy

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GROSS DOMESTIC PRODUCT - TOTAL & PER CAPITA
CURRENT PRICES

<u>Year</u>	<u>Total Gross Domestic Product (Cr\$ billions)</u>	<u>Estimated Population (1,000 inhabitants)</u>	<u>Gross Domestic Product Per-Capita (Cr\$ 1,000)</u>
1947	164.1	48,536	3.4
1948	186.5	48,992	3.8
1949	215.2	50,462	4.3
1950	252.9	51,976	4.9
1951	305.6	53,535	5.7
1952	350.3	55,141	6.4
1953	428.8	56,795	7.5
1954	555.2	58,499	9.5
1955	691.7	60,254	11.5
1956	884.4	62,062	14.3
1957	1,056.5	63,929	16.5
1958	1,310.0	65,842	19.9
1959	1,788.9	67,817	26.4
1960	2,385.6	69,852	34.2
1961 °	3,522.0	73,088	49.0
1962 °	5,586.8	75,271	74.2
1963 °	9,847.0	77,521	127.0

(°) Provisional data.

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REAL PRODUCT INDEX BY SECTORS

Base: 1949 = 100

Year	Agriculture	Industry	Commerce	Transp. and Government Communic.	Services	Rents	Total Product
1947	89.5	81.4	81.4	79.5	94.2	93.2	86.5
1948	95.7	90.6	96.2	92.3	97.1	96.4	94.7
1949	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1950	101.5	111.4	104.1	108.0	103.0	103.5	105.0
1951	102.2	118.5	117.9	118.8	106.2	107.1	110.4
1952	111.5	124.4	122.5	126.4	109.4	111.0	116.6
1953	111.7	135.2	119.0	137.8	112.7	115.1	120.3
1954	120.5	146.7	136.7	147.7	116.1	119.3	129.6
1955	129.8	162.3	143.5	152.4	119.7	123.7	138.4
1956	126.7	173.5	142.7	157.5	123.3	128.2	141.0
1957	138.5	183.2	160.2	166.9	127.0	132.9	150.7
1958	141.3	213.2	171.1	176.7	130.9	137.8	160.7
1959	148.8	240.7	186.9	188.7	134.9	142.8	172.5
1960	154.0	266.3	195.7	219.1	139.0	148.0	183.4
1961	167.0	295.0	211.8	240.0	143.2	153.2	197.5
1962 *	177.0	317.3	215.6	256.2	147.6	158.6	207.8
1963 *	177.2	326.2	218.0	272.2	152.1	164.6	212.0

(*) Provisional data.

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GROSS DOMESTIC PRODUCT AT CONSTANT PRICES - TOTAL AND PER-CAPITA

YEAR	T O T A L			P E R C A P I T A		
	GROSS DOMESTIC PRODUCT			GROSS DOMESTIC PRODUCT		
	At 1949 Prices Cr\$ Millions	Index (1949=100)	Annual Variation. (%)	At 1949 Prices Cr\$ 1,000	Index (1949=100)	Annual Variation (%)
1947	186.1	86.5	1.8	3.8	89.9	-
1948	203.8	94.7	9.5	4.2	97.5	8.5
1949	215.2	100.0	5.6	4.3	100.0	2.5
1950	226.0	105.0	5.0	4.3	101.9	1.9
1951	237.6	110.4	5.1	4.4	104.1	2.1
1952	250.9	116.6	5.6	4.6	106.7	2.5
1953	258.9	120.3	3.2	4.6	106.9	0.2
1954	278.9	129.6	7.7	4.8	111.8	4.6
1955	297.8	138.4	6.8	4.9	115.9	3.6
1956	303.4	141.0	1.9	4.9	114.6	- 1.1
1957	324.3	150.7	6.9	5.1	118.9	3.8
1958	345.8	160.7	6.6	5.3	123.1	3.5
1959	371.2	172.5	7.3	5.5	128.3	4.2
1960	394.7	183.4	6.3	5.7	132.5	3.2
1961 °	425.0	197.5	7.7	5.9	139.5	4.5
1962 °	447.1	205.9	5.2	5.9	141.4	2.1
1963 °	456.0	210.0	2.0	5.8	139.4	- 1.1

(°) Provisional data.

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PERCENTAGE VARIATIONS IN QUANTITATIVE
OUTPUT OF FARM PRODUCTS FOR DOMESTIC CONSUMPTION
AND FOR EXPORT

<u>Product</u>	<u>1962</u> %	<u>1963*</u> %
FOR DOMESTIC CONSUMPTION:		
Food Products:		
Rice	+ 3.1	+ 8.3
Sugar cane	+ 5.4	+ 1.1
Beans	- 2.1	+ 2.1
Corn	+ 6.0	+ 5.7
Wheat	+ 24.8	- 13.2
Tomatoes	+ 24.6	+ 8.8
Potatoes	+ 5.0	+ 2.3
Oxmeat	- 0.8	+ 0.6
Pork	+ 17.0	+ 3.0
Dairy Products	+ 20.0	+ 1.5
Bacon	+ 12.1	+ 4.5
Lard	- 5.6	- 2.3
Eggs	+ 5.9	+ 4.2
Bananas	+ 10.8	+ 4.8
For Industry:		
Peanuts	+ 10.8	- 4.3
Babassu	+ 16.1	+ 2.4
Rubber	- 4.5	- 2.6
Oxkins	- 1.2	+ 1.5
Pigskins	+ 0.2	0.0
Jute	- 1.5	- 5.2
Wool	+ 2.8	- 1.0
Tobacco	+ 11.4	+ 1.6
Guarana	+ 67.6	+ 9.7
For Export:		
Cotton	+ 5.0	+ 0.7
Cocoa	- 10.0	+ 17.6
Coffee (powdered)	- 1.7	- 25.0
Carnauba wax	+ 6.5	+ 7.4
Brazil nuts	- 12.1	- 1.0
Sisal	+ 2.2	+ 0.4
Herbe-mate	+ 3.3	+ 2.9

(*) Data subject to correction.

INDUSTRIAL OUTPUT - 1962/63

ACTIVITY	WEIGHTS ^o	CHANGE IN PHYSICAL OUTPUT (%)	
		1962	1963
Manufacturing	90.4	9.0	1.9
Food	16.9	6.2	1.9
Textiles	12.0	3.8	- 1.3
Steel and Metals	11.9	6.5	9.1
Chemical and Pharmaceutical	7.7	16.5	3.2
Automobile	7.5	31.2	- 8.9
Cement, ceramics and glass	6.6	6.3	2.9
Electric material	3.9	9.7	2.7
Petroleum	3.6	21.2	7.0
Paper and printing	3.0	9.7	1.5
Beverages	2.9	- 1.5	- 0.3
Rubber	2.3	7.2	0.9
Tobacco	1.3	5.4	- 1.9
Leather	1.1	25.2	- 7.2
Others	19.3	- 4.0	2.2
Building	4.7	- 5.6	0
Electric power	3.1	9.1	19.1
Mining and oil drilling ...	1.8	- 0.9	18.4
TOTAL	100.0	8.1	2.8

(^o) Brought up to date on the basis of the 1960 Census.