BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

CONFIDENTIAL (FR)
CLASS II - FOMC

November 11, 1977

TO: Federal Open Market Committee

FROM: Edwin M. Truman EMT

Attached is a review of the foundations of economic recovery abroad, prepared in the International Finance Division in response to the request by Chairman Burns at the September FOMC meeting.

Attachment

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November 11, 1977

The Foundations of Economic Recovery Abroad: Summary

The recovery from the deepest economic recession of the post-war period has been disappointingly slow in the major industrial countries. The targets implicit in the OECD's "medium-term strategy" for a moderate recovery, which were confirmed at the IMF meetings in Manila in 1976 and at the Summit in London in May 1977, have not been achieved. Most notably, private consumption and investment have been weak, both absolutely and relative to previous cyclical experience.

One commonly-cited factor explaining this disappointing performance is the coincidence of high inflation and high and rising unemployment, which has resulted in a serious erosion of consumer and investor confidence in the underlying strength of the recovery. This erosion of confidence has been manifested in more cautious spending behavior and, in particular, in higher personal saving rates and weak investment demand. It follows that confidence must be restored if private spending is to contribute more strongly to the cyclical recovery.

A restoration of confidence is occurring to some extent in some countries. The clearest example is in the United Kingdom, where a marked change in the perception of the British economy has led to a stunning shift in the demand for sterling-denominated financial assets.

Since December, when an agreement was reached with the IMF for a stand-by credit arrangement, interest rates in Britain have declined sharply, equity prices have risen, official reserves have risen five-fold and the exchange value of sterling has increased. Rates of wage and price inflation have moderated and, more importantly, the outlook for inflation has improved. The British external position looks better, not just because the official reserve position is so strong but also because the current account has swung into surplus somewhat sooner than some observers had expected. Statistics so far this year suggest that British economic policymakers have accepted the need to control more closely the money supply and the level of public expenditures (and hence the public sector deficit).

In other countries, too -- including Italy, France, and Mexico -- there is evidence that some of the factors that had eroded confidence are being reversed. For example, the pervasive decline since early this year in the rate of increase in wholesale prices should tend to reduce personal saving rates as the decline feeds into consumer prices. A reduction in saving rates, together with an increase in personal disposable incomes (as nominal wages rise faster than prices and tax rates are reduced), should provide a fillip to private consumption expenditures in many countries.

Yet despite these hopeful signs, nowhere -- including the United Kingdom -- has the restoration of confidence been sufficient to render the economic outlook satisfactory. The rate of growth of real GNP in the major industrial countries in 1978 is expected to be somewhat higher than in 1977 but still below rates implied by the OECD's medium-term strategy; the level of unemployment is not likely to be reduced significantly and may even increase.

Several factors are inhibiting a more robust recovery. Inflation rates may moderate further but are likely to remain high by historical standards. In most of the major foreign countries, economic policy has not been clearly articulated and a profound sense of uncertainty has thus been created.

Finally, an important aspect of the cyclical experience of the past several years has been the coincidence of the cycle among all industrial countries. To be sure, there have been differences in the amplitude and the timing of the cycle across countries, but the pervasiveness of recession and inflation is striking. One implication of this phenomenon in an increasingly interdependent world is that it becomes more difficult for an individual country to sustain a recovery unless it is supported by recovery elsewhere.

The Foundations of Economic Recovery Abroad

A sound, sustainable economic recovery in industrial countries abroad depends upon the recovery of personal consumption and investment expenditures, both of which have grown only slowly since the trough of the 1974-75 recession (see Table 1). The performance of both of these sectors has been especially disappointing compared with forecast growth and with previous cyclical experience.

A resumption of consumption and investment spending depends, in turn, on a variety of factors including, importantly, a restoration of consumer and investor confidence in the economy. Confidence is a somewhat elusive concept, but it has clearly been eroded by the experience of the past few years. Unexpected high rates of inflation have adversely affected the financial positions of households and businesses. Perhaps because the decade of the 1960's was a period of relatively little inflation, accounting procedures -- and economic practices and perceptions more broadly -- were ill-equipped to cope with the high rates of inflation of the past few years.

The loss of real wealth in oil-importing countries that is a consequence of the oil-price rise, the persistence of high inflation and high unemployment, large sectoral imbalances, and the variety and ambiguity of policy responses to these circumstances, have contributed to increased uncertainties and to cautious behavior on the part of consumers and investors.

Given the magnitude of these recent problems, confidence is not likely to be restored quickly. Nevertheless, significant improvement can be cited in the factors that seem to have influenced consumer and investor confidence in the past several years, even though the underlying economic position in most countries still is not especially favorable.

Prices and wages

Rates of price increase have come down -- in some cases sharply -- from recent peaks, but remain quite high. Improvement in the behavior this year of wholesale prices has been particularly evident (see Table 2). In the third quarter of 1977, wholesale prices declined in France, Germany, and Japan (among the major countries); in Italy, the United Kingdom, and Mexico rates of increase were well below rates in previous quarters. A major component in the improved wholesale price performance is the decline in food and raw material prices since the first quarter, which tend to have large weights in wholesale price indexes. But other factors, including in some countries the cessation or reversal of rapid exchange-rate depreciation, have played a role as well.

Improvement in rates of increase in consumer prices so far has been less pronounced, but has been significant recently in Germany, Italy, Japan, and the United Kingdom (see Table 3).

Moreover, the recent decline in wholesale prices should normally be reflected at a later stage in further improvement in consumer price performance.

Rates of increase of hourly compensation reached a peak in all major countries in 1974-75 and have since moderated, but except in Japan and Germany, 1976 rates remained high by historical standards. Quarterly data for 1976-77 show a continued moderation in wage or earnings increases in Canada, France, and, especially, the United Kingdom where real wages declined significantly (see Table 4). While the improved trend of labor costs will moderate the income gains of those employed, it should boost the prospects for employment of others. It will also, of course, facilitate a deceleration of price inflation.

Some institutional changes have been made abroad which now permit economic agents to cope better with the kinds of problems they recently have encountered. Inflation accounting has not yet become well-developed or widespread abroad, but the need for it is widely recognized. For example, considerable work has been done in Britain on this subject, resulting most recently in the so-called Hyde Guidelines which urge companies to publish a prominent note in their next financial statements showing the effect of inflation on profits. Inventory valuation procedures typically have been improved more than have procedures for valuing capital-stock depreciation.

Indexation has become somewhat more widespread. This development is, of course, a mixed blessing; while indexation helps to remove market distortions caused by inflation, it also tends to build inflation into the system and to amplify the effects of relative price changes on the general price level. The system of wage-indexation in Italy -- the scala mobile -- is an example of a system which exacerbates the problem of inflation when prices are rising at steadily increasing rates but which could help wind down inflation rates if there is an initial shock tending to lower prices (such as the recent decline in world commodity prices).

The personal income tax system in Canada is indexed. Even in some cases where indexation of the tax system has not been formalized, adjustment for inflation has been manifested in discretionary actions; the cuts in personal taxes recently announced in Germany and Britain should be interpreted in this way, i.e., as attempts to offset fiscal drag.

Monetary conditions

Money stock growth abroad has been volatile -- more volatile than in the United States (see Table 5). But the increasing practice of foreign central banks to announce explicit targets for monetary growth has helped to reinforce the view that authorities have resolved to bring monetary growth under better control.

Interest rates abroad have declined substantially this year; since the fourth quarter of last year, three-month interbank rates have declined by almost 1000 basis points in Britain, by about 600 basis points in Italy, and by lesser but still significant amounts in other countries (see Table 6). Bond yields have also declined, reflecting declines both in inflation expectations and, probably, real interest rates. Equity prices, however, generally remain depressed, especially when viewed in real (i.e., inflation-adjusted) terms, so that the cost of equity capital is unusually high.

Interest rates (and financial markets generally) have been rationalized in some developing countries and in some less-financially-sophisticated industrial countries (Spain) where inflation rates have been very high and where interest rates had not been allowed to reflect inflation adequately.

External positions

The current-account deficit of Britain has been eliminated and the French, Italian, and Mexican deficits have been reduced (see Table 7). There has been less improvement in the current-account imbalances of the smaller European countries -- including the worrisome imbalances of Portugal, Spain, and Turkey -- though the deficits of even these countries have declined as a percentage of GNP (since nominal GNP has risen so strongly).

The current-account surplus of Japan has increased sharply this year, but that of Germany has virtually vanished in the first nine months of this year (based on seasonally unadjusted data not shown in Table 7). Although current-account surpluses are not generally thought to have the same adverse impact on confidence as deficits, Japanese exporters and those in Japan who produce import-substitutes might well have reason to be uncertain as to the future course of demand for their products.

Public sector deficits

Public sector deficits as a percentage of GNP have also declined (see Table 8). Even with the increases in public expenditures and decreases in tax rates recently announced in many foreign countries, these deficits are expected to be lower than they have been in recent years. They still remain historically high, although this is probably not the case if the deficits could be adjusted to a full-employment basis.

Survey results

We are not inclined to attach much significance to evidence based on surveys; the problem of quantifying survey results and, *a fortiori*, of collecting a quantitative time series renders an assessment of the reliability of surveys quite difficult. In general, however, latest surveys suggest that consumers and, especially, investors are not optimistic about the near-term future, although they are perhaps less pessimistic than they have been in the recent past.

Unemployment

Unemployment is one factor that evidently contributed to the rise in personal saving rates but has clearly not shown any improvement. Unemployment rates remain high everywhere except in Switzerland and are still rising in many countries (see Table 9).[1/] To some extent, the persistence of high unemployment rates may reflect enhanced unemployment compensation, which renders unemployment less burdensome. But part of the explanation is simply that employment has not risen rapidly abroad. Output growth has not been strong and the cost of labor has risen. Moreover, since workers are potentially difficult to lay off for political reasons, employers in some countries -- notably Italy and France -- have been restrained in their hiring.

Financial positions

Data on household and business balance sheets, data on profits, data on saving rates, and other similar kinds of financial data -- even

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1/ The low unemployment rate in Switzerland is misleading. Employment has declined sharply, but so has the labor force, as large numbers of foreign workers in Switzerland returned home. Indeed, "exporting of unemployment" is a significant aspect of the increasing economic interdependence discussed on pp. 12-13 below.

where available -- are not very reliable, and are not comparable across countries. Moreover, such data are available only with a considerable lag, so that few data for 1977 are available. Nevertheless, we have examined a substantial amount of such data. Our preliminary analysis suggests the following conclusions:

A. The liquidity position of corporations has generally improved abroad. In Germany, for example, the ratio of corporations' liquid assets to their short-term debt is historically high, while the ratio of their short-term debt to total debt has declined. In Britain and France, as well, liquid-asset ratios have risen from recent troughs, while the ratios of short-term debt to total debt have declined.

In Italy, on the other hand, the financial position of the corporate sector has been the object of serious concern. Since 1972, liquid-asset ratios have fallen steadily (except in 1975), risk capital is too low, the debt/equity ratio has continued to grow, and short-term indebtedness is very high as a proportion of total debt. The weak financial structure in Italy reflects low profitability and consequently a low level of self-financing, continuous recourse to short-term bank debt, and high interest rates.

B. The profit situation abroad is difficult to assess, given generally poor accounting procedures. Moreover, experience has varied widely across industries. It seems reasonably clear, however, that overall profits abroad remain low, though the decline in profitability of the past several years has ended and may have been partially reversed. One encouraging aspect is that the share of inventory profits in total profits has declined; the overvaluation of inventory profits has been reduced due to slower rates of price increase and the decline -- until recently -- in inventory/sales ratios from pre-recession peaks.

C. The liquidity of households has improved. Partly as a consequence, personal saving rates have declined from recent peaks, though they remain above previous levels (see Table 10).

Summary assessment

The discussion above has reviewed changes in the factors where improvement is prerequisite to a restoration of consumer and investor confidence in the health of the world economy. The focus on cross-country comparisons rather than on developments in individual countries reflects a belief that in an increasingly interdependent world recovery is unlikely to be sustained in one country unless it finds support in other countries. One reason for this belief is that the performance of the export sector in many foreign countries is critical; foreign demand for some countries' exports is an essential ingredient in sustained growth. This is a point made frequently by the Germans and the Japanese.

Moreover, some countries face what might be called a "current-account constraint;" if economic recovery proceeds faster in one such country than in its trading partners, that country's current-account position will tend to move increasingly into deficit, thereby implying a build-up of external debt and, perhaps, political pressures for protection or other measures to reduce the deficit.

Finally, and perhaps most importantly, confidence will not be restored in a country if it is perceived that economic health and economic growth in the rest of the industrial world are not being restored as well. As some observers have noted, it is only this aspect of the confidence problem that can justify international pressures for authorities in Germany, Japan, and the United States to act to ensure a moderate yet sustained growth of their economies, since the direct impact of faster growth in Germany on its trading partners, for example, is estimated to be quite small.

It is the Board staff's view that confidence has not yet been restored sufficiently for the pace of economic recovery envisaged, say, at the Summit Meeting in London this past May to be achieved. Our current forecast of real GNP in the six major foreign countries is for a growth rate of about 4-1/2 per cent in 1978 -- compared with the 3 to 3-1/2 per cent rate we expect this year. While this forecast implies little reduction in unemployment, it is, in fact, somewhat more optimistic than other forecasts we have seen. To a considerable extent, the basis for our relative optimism lies precisely in the observation of the prevalence across countries of favorable trends in the foundations of economic growth.

Tables attached

Table 1. Real Consumption and Gross Fixed Investment in Major Foreign Countries
(percentage change from preceding period, seasonally adjusted annual rate)

	Average 1960-73	1974	1975	1976	1976 H1	1976 H2	1977 H1
Canada							
Consumption	5.0	5.4	6.7	6.1	6.4	6.3	1.1
Investment	5.8	5.5	3.9	0.8	0.3	-7.3	3.8
France							
Consumption	5.4 1/	2.2	3.1	4.9	2.3	3.5	0.8 2/
Investment	n.a.	0.9	-3.4	4.5	n.a.	n.a.	n.a.
Germany							
Consumption	4.7	0.3	2.5	3.6	4.2	2.7	3.0
Investment	4.5	-9.9	-4.2	5.1	5.3	4.7	3.9
Italy							
Consumption	5.6	2.5	-1.4	3.2	1.6	4.1	-8.1 2/
Investment	5.5	3.5	-13.0	2.3	5.5	6.4	7.0
Japan							
Consumption	8.8	1.4	6.1	4.4	5.3	2.3	3.7
Investment	14.1	-10.2	-2.8	4.5	9.1	0.3	7.9
United Kingdom							
Consumption	2.8	-1.1	-0.9	0.4	2.8	1.7	-3.9
Investment	4.5	-1.9	-1.2	-3.4	-4.3	-4.2	-13.8

1/ Average 1962-1973.
2/ Based on change between 1976Q4 and 1977Q1.
Data from national sources and OECD national accounts statistics.

Table 2. Wholesale Prices
(percentage change from preceding period; annual rate)

	Average 1968-72	1973	1974	1975	1976	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
Canada	3.3	21.5	22.4	6.5	4.3	2.0	6.0	1.2	2.4	19.6	11.6	2.4 1/
France	4.7	14.7	29.1	-5.7	7.4	9.6	18.4	17.6	3.2	5.2	4.4	-4.0
Germany	2.6	6.6	13.4	4.7	3.9	12.4	8.0	1.2	-1.6	1.6	6.4	-5.2
Italy	3.8	17.0	40.7	8.6	22.9	26.0	46.4	16.4	23.6	17.2	9.6	6.0
Japan	1.3	15.9	31.3	3.0	5.5	8.0	6.4	7.6	3.2	1.6	0.4	-2.0
United Kingdom	5.7	7.3	23.4	24.1	16.4	15.6	14.4	16.4	19.2	24.0	18.0	13.2
Mexico	3.4	16.3	22.4	10.5	22.3	22.4	12.8	22.4	84.0	42.0	26.4	16.4
United States	3.6	13.1	18.9	9.2	4.6	2.0	5.6	4.8	3.6	8.8	10.0	0.8

1/ Based on July and August only.
Data from national sources and IMF.

Table 3. Consumer Prices
(percentage change from preceding period, annual rate)

	Average 1968-72	1973	1974	1975	1976	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
Canada	3.9	7.6	10.9	10.8	7.5	5.2	6.0	6.0	6.0	8.4	9.6	8.8
France	5.6	7.3	13.7	11.7	9.6	9.6	9.2	9.2	10.4	6.4	12.4	9.6
Germany	3.5	6.9	7.0	6.0	4.6	6.8	6.0	0.4	2.0	7.6	5.6	0.8
Italy	3.9	10.8	19.1	17.0	16.8	16.8	25.2	11.2	25.6	18.8	15.2	7.6 1/
Japan	5.9	11.8	22.7	12.0	9.7	10.8	11.2	2.4	12.0	10.4	10.0	1.2
United Kingdom	6.6	9.2	16.0	24.2	16.6	14.4	14.8	9.2	18.4	20.0	18.0	6.4
Mexico	4.4	12.2	23.8	15.0	15.8	17.2	10.4	12.8	50.0	34.4	18.0	17.2
United States	4.6	6.2	11.0	9.1	5.7	4.0	4.8	6.4	4.4	7.2	8.4	6.0

1/ Based on July and August data only.
Data from national sources and IMF.

Table 4. Wages, Earnings, or Hourly Compensation
(percentage change from preceding period, annual rate)

	Average 1968-72	1973	1974	1975	1976	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2
Canada	8.0	7.3	10.8	15.0	13.0	16.8	12.0	5.2	12.4	14.0	8.8
France	11.3	14.6	19.3	17.4	14.3	16.0	16.0	13.6	11.6	9.2	13.2
Germany	9.6	10.6	13.0	9.3	5.9	9.2	9.6	4.0	1.2	12.4	10.0
Italy	11.4	24.3	22.4	26.7	21.1	9.2	38.0	39.2	16.0	27.6	26.0
Japan	15.7	22.3	26.1	13.8	12.2	19.6	3.2	15.2	12.4	16.4	0.4
United Kingdom	10.4	13.4	17.8	26.6	15.8	13.2	12.4	10.8	10.8	10.8	7.2
United States	6.1	6.8	8.4	8.8	8.1	8.8	6.4	10.0	6.8	8.4	8.8

The series used are: Canada: average weekly wages and salaries in manufacturing; France: hourly wages, all activities; Germany: hourly wages and salaries, all activities; Italy: minimum hourly wages; Japan: nominal wages, regular workers; United Kingdom: average earnings, all industries and services; United States: average hourly earnings of production workers (manufacturing).

Data from national sources and OECD.

Table 5. Money Stock
(M_1, percentage change from preceding period, annual rate)

	Average 1968-72	1973	1974	1975	1976	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
Canada	8.2	14.4	9.7	13.8	7.9	6.0	1.2	8.8	3.2	9.6	9.6	13.2
France	9.2	9.8	10.8	12.0	15.2	40.4	8.0	9.2	4.4	10.0	4.8	n.a.
Germany	9.6	5.8	5.9	13.8	10.4	5.6	10.8	7.6	1.2	10.8	6.4	14.0
Italy	18.0	21.2	17.6	7.7	21.1	29.6	15.2	8.8	27.2	22.0	16.0	n.a.
Japan	19.7	26.1	13.2	10.4	14.1	22.4	9.2	14.4	11.2	1.6	-4.4	18.4
United Kingdom	7.8	9.9	3.0	19.6	16.8	14.0	13.6	19.2	5.6	0.8	18.8	23.2
Mexico	16.3	24.8	20.9	22.3	22.9	16.0	19.2	20.0	55.2	20.0	11.2	n.a.
United States	4.5	16.4	5.5	4.2	5.1	2.8	8.0	4.4	6.4	4.4	8.4	9.2

Data from national sources and IMF.

Table 6. Interest Rates
(per cent per annum)

	1975-1977 High	1976 Q4	1977 Q1	1977 Q2	1977 Q3	Latest
3-MONTH RATES[1/]						
Canada	10.38(3/76)	8.98	7.88	7.39	7.34	7.38(11/9)
France	11.50(1/75)	10.45	9.90	9.16	8.52	9.38(11/10)
Germany	8.00(1/75)	4.73	4.68	4.41	4.10	4.10(11/10)
Italy	20.88(7/76)	17.83	16.04	15.47	13.48	11.88(11/10)
Japan	13.75(1/75)	7.83	7.40	6.09	5.94	5.25(11/10)
United Kingdom	16.25(10/76)	14.53	11.80	8.01	6.90	4.75(11/9)
LONG-TERM GOV'T. BOND YIELDS [2/]						
Canada	9.87(10/75)	8.47	8.82	8.70	8.61	8.72(11/4)
France	10.96(1/75)	10.72	10.65	10.92	10.81	10.75(10/21)
Germany	9.67(1/75)	7.26	6.68	6.11	5.70	5.71(10/28)
Italy	14.92(7/77)	13.92	14.72	14.71	14.58	14.64(10/28)
Japan	9.70(1/75)	8.73	8.42	7.32	6.86	6.72(10/31)
United Kingdom	17.69(1/75)	13.82	11.63	12.24	9.44	10.08(11/4)

1/ The 3-month rates shown are averages of daily rates. All are interbank rates, except: Canada-finance company paper rate; Japan-rate on paper of 2-month or greater maturity.
2/ Long-term yields are end-of-period quotations. The rates quoted are all government bond yields (mostly composite yields).

Table 7. Current-Account Balances[1/]
($ billions, seasonally adjusted annual rate)

	Average 1968-72	1973	1974	1975	1976	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
Canada	0	0	-1.7	-4.7	-4.2	-5.2	-4.8	-2.8	-4.4	-3.2	-6.0	n.a.
France	-0.1	-0.7	-6.0	0	-5.8	-4.4	-2.8	-8.8	-7.2	-5.2	-2.8	n.a.
Germany[2/]	1.5	4.5	9.7	3.9	3.2	5.2	3.6	1.6	2.0	2.8	6.4	n.a.
Italy[3/]	1.9	-2.5	-8.0	-0.6	-2.9	-6.0	-5.6	3.2	-3.2	-3.6	n.a.	n.a.
Japan	3.5	-0.1	-4.7	-0.6	3.7	4.0	5.6	0.8	2.8	9.2	11.2	10.7
United Kingdom	1.0	-0.8	-7.9	-3.7	-2.5	-0.8	-2.8	-3.6	-2.8	-3.2	-1.6	3.6
Mexico [4/]	-0.8	-1.3	-2.6	-3.8	-3.0	-2.8	-3.6	-4.0	-2.0	-0.4	-1.2	n.a.
United States	-3.5	-1.0	-2.3	11.8	-1.0	1.6	2.0	-1.6	-6.0	-16.4	-18.0	n.a.

1/ Balance on goods, services, and private and official transfers.
2/ Unadjusted data suggest that Germany's current-account surplus has been virtually eliminated this year.
3/ Unadjusted data suggest a large decline in Italy's deficit this year -- perhaps even a movement into surplus.
4/ Balance on goods and services only. Average 1968-72 estimated from IMF data.
Data from national sources and IMF.

Table 8. Public Sector Deficits
(as per cent of nominal GNP)

	Average 1968-72	1973	1974	1975	1976	1977 (estimated)
Canada	-0.2	0.0	-0.3	-2.9	-2.7	-4.0
France	-0.3	0.6	0.3	-3.2	-1.1	-0.8
Germany	-0.3	-0.3	-1.0	-3.3	-2.7	-2.0
Italy	-5.5	-9.1	-8.7	-12.6	-10.2	-7.9
Japan	-0.8	0.2	-2.1	-4.0	-4.4	-4.5
United Kingdom	-0.5	-3.6	-4.7	-8.9	-6.2	-5.0
Mexico	n.a.	-5.9	-7.0	-9.0	-9.3	-6.0
United States	-0.9	-0.5	-0.8	-4.7	-3.4	-2.9

Where possible, the budget concept used is the central government borrowing requirement (cash basis), i.e., the budgets of state and local governments are not included. Inclusion of state agencies and social funds varies across countries. For the United States, National Income Accounts data are used.

Table 9. Unemployment Rates
(seasonally adjusted)

	Average 1968-72	1973	1974	1975	1976	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
Canada	5.5	5.6	5.4	6.9	7.2	6.8	7.2	7.3	7.5	7.8	8.1	8.2
France	n.a.	n.a.	2.8	4.1	4.5	4.4	4.6	4.6	4.5	4.7	5.3	5.7
Germany	1.0	1.3	2.7	4.8	4.6	4.8	4.6	4.5	4.4	4.4	4.6	4.6
Italy	3.3	3.5	2.9	3.3	3.7	3.3	3.7	3.9	3.8	6.5 1/	6.9 1/	7.[illegible] 1/
Japan	1.2	1.2	1.4	1.9	2.0	2.0	2.1	2.0	1.9	1.9	2.1	2.1
United Kingdom (Great Britain)	2.8	2.6	2.5	3.9	5.3	5.1	5.2	5.5	5.5	5.5	5.5	5.9
United States	4.7	4.9	5.6	8.5	7.7	7.6	7.5	7.8	7.9	7.4	7.0	7.0

Note: Cross-country comparisons of unemployment rates should be made only with care because widely varying concepts are used.
1/ 1977 rates not comparable with earlier years due to change in definition.

Table 10. Personal Saving Rates
(personal saving as percentage of personal disposable income, seasonally adjusted)

	Canada	Germany	United Kingdom
Average 1965-70	5.8	13.2	8.6
1971	6.4	14.6	8.6
1972	8.4	15.8	10.0
1973	9.2	15.1	11.4
1974	9.4	16.2	14.1
1975	10.2	16.9	15.3
1976	9.5	15.4	14.6
1975Q1	9.8	17.8	15.9
Q2	12.0	18.0	14.4
Q3	9.8	16.1	15.3
Q4	10.1	15.6	15.6
1976Q1	11.5	15.1	15.6
Q2	12.7	15.2	14.2
Q3	8.8	15.6	15.4
Q4	9.5	15.6	13.3
1977Q1	8.6	15.0	14.4
Q2	10.5	15.2	13.5

Data from national sources.