

**INVESTMENTS AND ECONOMIC DEVELOPMENT
IN THE U.A.R., 1959/60 — 1967/68
A STUDY OF METHODOLOGY AND APPLICATION**

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I. Introduction :

Economic development and development planning are recent phenomena in the world of to-day. Not before the late fifties of the present century that they became common terminology in economic language, and certainly only in the sixties that the United Nations Secretariat had to reorganize itself to introduce a «Center for Development Planning Projections and Policies» instead of the standard economic research division that is common in any service organization. The U.N. (first)⁽¹⁾ development decade was also launched in 1961 to commemorate the beginning of a global concerted effort between the developed and the developing countries of the world towards a more determined policy of development.

In the continent of Africa, efforts towards planning and economic development are even more recent. In Asia for example, and also in parts of Eastern Europe, successful attempts at development were made in the late forties and early fifties. Only Ethiopia, in the continent of Africa, is thought to have started as early. The first U.N. development decade witnessed however a convergence of African efforts towards development. In the United Arab Republic, where sectorial development plans — in industry and also in agriculture — were put into effect in the course of the 1950's, only in 1960 did the first economic and social development plan come into force.

The first fifty or more years which preceded this first attempt at economic development through planning — since the turn of the century — witnessed in the UAR — as it probably

(1) The United Nations is just about to declare the seventies another development decade.

did for most of Africa — no indication towards growth or development. The «Plan» of 1960 and the sectorial investment programmes which preceded it — especially in the field of industry in 1956/57 — made therefore the demarkation line between relative stagnation and growth.

It is true that gross domestic product — according to the figures available⁽²⁾ — increased at an annual rate of between one and one and a half per cent from 1913 and 1939. This rate was even accelerated after 1939 when the first industrialization efforts of the early «thirties» began to bear fruit; it reached 2½ per cent. But let us not forget that alongside this development, population rates also began to rise fast reaching 1.8 per cent per annum after the second world war, and an alarming 2.4 (or according to other estimates even 2.9) per cent in 1960.⁽³⁾ In other words, the slow rise in total production was only barely adequate to take care of population increase, and when the rate of increase of total production was stepped up later in the period, population growth had also reached higher proportions. The net result was a complete stagnation of per capita income, which over a period of more than forty years (1913 — 1955) increased by only 5 per cent, a mere 0.1 per cent⁽⁴⁾ per annum.

II. The Development Plan of 1960-69 :

The first formal economic and social development plan in the U.A.R. covers a period of ten years 1960 — 1969 (fiscal years),⁽⁵⁾ and is divided into two five-year plans. The plan had the following principal objectives :

- (a) to double national income, at constant prices, at the end of the ten-year period. For the first five years a 42 per cent increase was planned, implying — at a compound rate — an annual rate of growth of 7 per cent in gross domestic product;

(2) Bent Hansen and Girgis Marzouk, «Development and Economic policy in the U.A.R. (Egypt)», Amsterdam, 1965, p. 4.

(3) Op. cit., Table 2-1 p. 23.

(4) Op. cit., pp. 4-5.

(5) Fiscal years beginning July 1 of the year stated.

(b) to achieve a larger equality of opportunity, and a more even distribution of income and wealth;

c) to expand employment opportunities.

The investment programme is naturally the central core of the plan, but it is the only policy programme laid down in the plan frame. The plan envisages a total investment over the first five years 1960 — 1964 (FY) of 3627 million dollars.⁽⁶⁾ The share of investments in gross national product (at market prices) was planned to increase — on average for the 5-year period as a whole — to 18 per cent against 12.5 per cent⁽⁷⁾ in the base year 1959/60. With properly planned capital-output ratios for each sector and an allowance for more utilization of excess capacity-projected to raise gross domestic product by 5 per cent over the first five years, gross fixed investments were, in fact, designed to raise national income by only 37 per cent, which they almost did, as we shall see shortly.

The achievements of the investment programme, which will be discussed later, cannot however be isolated from the social aspects of the plan and their economic implications which, if not properly managed, could jeopardise the principle target of attaining a certain rate of growth of national income. The plan was to effect a process of income and wealth redistribution by means of minimum wages, larger employment outlets, free education and a larger equality of opportunity, wider base of and upper limit to land-ownership through land reform and nationalization — in 1961 and 1963 — of a large number of private enterprises which played a key role in the process of economic development. Not less important was the predominance of public investments in the plan which amounted on the average to more than 90 per cent of the total investments during the first five year plan. This, together with the nationalizations of 1961 and 1963, placed the greater part of the productive apparatus in the hands of the Government. The public sector which had its early roots in the «Economic Organization» of 1957 as a direct consequence of the «Egyptianization» of foreign (British, French and Australian in specific) interests

(6) Conversion of national currency into U.S. dollars was made at the rate of 2.3 dollars to the Egyptian pound throughout.

(7) General frame of the 5-year plan for economic and social development, July 1960 — June 1965, Cairo, 1960.

after the Suez war of 1956 was thus extended and more diversified, and in effect given the lead in economic development.

The third objective of the plan — that of approaching a state of full employment — has an economic impact of a different nature. The development of the Government policy in this direction during the period under consideration is worth noting. The plan envisaged the absorption of all projected increase in manpower — about one million person in the five-year period or one-sixth of total employment. Since some unemployment existed at the beginning of the period, full employment would not be achieved, but the ratio of unemployment would decline. Thus the employment ratio increased from 89.5 per cent in the base year 1959/60 to 92 per cent in 1964/65, but declined again to 88 per cent in the aftermath of the June war of 1967, (table 1). To be sure, the number of employed continued to increase, but this increase was rather modest as a result of the forced drop in fixed investments in 1967/68, especially in construction and in the field of agriculture. The construction sector actually released in the first year after the «war» some 50 thousand workers or about one-quarter the net annual addition to manpower. Worse still, the agricultural sector which was counted upon during the first five years to — and actually did — absorb one-half the expansion in employment (some 100 thousand on the average annually) did not expand at all in terms of employment during 1966-1968.

Another aspect of the Government employment policy stems from social considerations. Employment for social reasons was later accorded a larger value than at the time when the first five-year plan was drawn up. In 1961, a great employment drive took place, including an increase in employment in Government administration and in the newly nationalized industries; in the latter it was connected with a reduction in the working week from 48 to 42 hours. This employment drive led to a large increase in industrial and Government employment, with adverse effects on productivity in both spheres. Table 2 shows that during the five years 1960-1964 productivity of labour increased by only 8 per cent while average wage earnings increased by 20 per cent. Unit labour productivity (productivity, i.e. per unit of wages) therefore declined to 90 per

cent of what it was in 1959-1960. The one sector that was largely responsible for this deterioration is agriculture, especially because of its size, but other important sectors also witnessed some rather minor deteriorations in productivity.

III. The investment programme :

The plan calculations project the ratio of gross investments to gross domestic product — at market prices — to reach 18 per cent in 1964/65.⁽⁸⁾ Total investments, planned at 3627 million dollars for the five years 1960 — 64 (F.Y.), i.e. an annual average of 725 million dollars, compare very favourably with the estimate of 393 million dollars for the base year 1959/60. 95 per cent of these investments were realised by the end of 1964/65, as is shown in table 3, and the investment ratio actually rose to the projected 18 per cent (Tables 4, 5.)

But an appraisal of the investment programme requires us not to forget that prices which had been kept almost constant during the first four years of the plan rose rather sharply in the fifth year (1964/65) by about 11 points in the cost of living index and 8 points in the wholesale index, (table 1). The fact that 95 per cent of planned investments were realised during 1960 — 1964 should therefore be judged in the light of price developments. More important however is that an investment programme should be appraised against the underlying value judgements and in the light of the targets it was set to achieve.

First, since doubling the national income in ten years was taken as primary policy postulate, and since furthermore raising the standard of living of the population meant allowing total consumption to increase at a faster rate than total population,⁽⁹⁾ investments necessary to achieve this objective should be minimized. An optimum pattern of investments at the minimum level requires that the quantitative measures (necessary to effect a process of minimization) of any criterion chosen as a basis for decisions about that pattern of investments should

(8) World Economic Survey, 1964, Part I, op. cit., p. 28.

(9) This is what is usually referred to in Contemporary Egyptian terminology as «the difficult equation».

be the same for marginal investment projects in all the individual sectors. A full appraisal of the investment programme would involve getting down to the individual investment projects which is an impossible task to do. However, it is very much doubtful that the plan undertook such a balancing process.

Rather, total investments were allocated to ministries (sectors) on the basis of the overall targets laid down by the Government. This was done step by step. From the given over-all growth-rate target and a series of income elasticities for consumer goods, obtained by informed guesses, there followed the distribution of consumer demand by sectors; to this was then added Government current demand. The over-all capital output ratio gave the total amount of investments, which were roughly divided into construction and imports of capital goods. Sectorial production targets were determined in a rather intuitive way, and the total investments needed for each sector were estimated by the application of sectorial capital-output coefficients, obtained from historical studies of domestic development and from experience abroad. After each Ministry had received its broad investment frame, it was asked to fill it in with concrete investment projects according to the best judgement of the Ministry. Since the selection of projects within each sector was thus left to the Ministry in question, there was nobody to compare the individual projects as between Ministries. The work done by the individual Ministries was probably of quite different quality, and in some Ministries ambitious attempts were made to estimate future returns in terms of value added, employment and import-saving effects. But just how these factors have been weighted against each other is impossible to know. The method of selection may also have varied from Ministry to Ministry.⁽¹⁰⁾

Second, the rate of return on capital in terms of value added has played a role in selecting investment projects. This seems natural when the task is to minimize the amount of investments necessary to accomplish a given national income increase. This procedure however presumes that labor—in speci-

(10) Hansen and Marzouk, *op. cit.*, p. 303.

fic — is a free factor of production on the standard assumption that in under-developed countries labour is an abundant factor of production. Yet, it is doubtful whether a surplus of labour exists in Egyptian agriculture in the sense that a large number of persons could be moved permanently from agriculture, *ceteris paribus*, without decreasing production. In fact some evidence against the existence of an absolute surplus of labour in Egyptian agriculture is available. The value of the marginal productivity of labour in agriculture seems to be at least the same as actual money wages.⁽¹¹⁾ The assumption of labour as a free factor would suggest a bias in favour of more labour intensive projects, while Egyptian Ministries — especially of Industry and Communications — staffed with engineers, were often accused of being biased in favour of capital intensive projects. It therefore seems doubtful «whether on balance too high or too low capital intensity has been chosen».⁽¹²⁾

Thirdly, in the field of foreign trade the investment programme aimed at import substitution and self-sufficiency.

The underlying idea was that an underdeveloped single commodity exporter should diversify its production in order to depend less on foreign trade. The logical result of a more diversified local production is more diversification in the export list. This was thought beneficial both from the point of view of a lower degree of dependence on foreign markets and a lower degree of vulnerability of export receipts to economic fluctuations and political interferences. With respect to foreign payments, and as a result of the twin policy of import substitution and export diversification, the plan expected a substantial export surplus of 92 million dollars to materialize by 1964/65. Import substitution was expected to hold imports constant — in value terms — in spite of the projected increase of over 40 per cent in production and income, while the increase in, and diversification of, production was expected to lead to increased exports of manufactures especially, the underlying assumption being it seems that foreign demand would always absorb the «surplus».

(11) Hanaa Kheir El Din. «The Cotton Production Function in the U.A.R. and its Relation to Technical Progress and to disguised unemployment», Memo No. 370. Institute of National Planning, 1963.

(12) Hansen and Marzouk, *op. cit.*, p. 305.

The projected (or rather expected) result of having a substantial surplus in five years' time in the balance of payments did not of course take place. Quite the opposite was an increased deficit on current payments which in 1964/65 reached 175 million dollars (table 1). It was in the 9th year of the plan — 1968/69 — that the target of turning the balance or current payments into a surplus was achieved, showing a positive 19 million dollars.

The above result should not be taken to mean a failure of the investment programme in the field of foreign trade. On the contrary, the target of producing a more diversified export list was achieved — exports of raw cotton relatively declined from 72 per cent in 1959/60 to 45 per cent in 1967/68, and exports of manufactured products increased from 21 per cent to 32 per cent between the two years. As will be pointed out later, it was developments in other fields — inaccurate projections of import requirements of raw investments and longer gestation period — that made imports increase fast instead of holding constant as was planned. It should also be noted that an unprojected adverse change in export-import prices which reduced the commodity terms of trade to 90 per cent of what it was in 1959/60 (table 1) must have made an important contribution towards the disappointing picture of the foreign payments balance especially at the middle of the decade.

IV. — Financing the investment programme

One third of the total investment budget of the five years 1960-1964, i.e., 1242 million dollars were planned to be financed through foreign savings. With the assumption of a surplus in the fifth year on current payments of 92 million dollars — as referred to above — the implication was that the balance of payments would be allowed to run in deficit — on current payments — during the first four years 1960-1963 to the aggregate amount of 1334 million dollars.⁽¹³⁾ As gross investments were planned at the time at 685, 782, 812, 853⁽¹⁴⁾ million dollars for the years 1960-1963, foreign savings would amount to some 43 per cent, and domestic finance would be as low as 57 per

(13) Net foreign borrowing.

(14) Including inventories.

cent during these four years. At the same time the fifth year would show a complete though abrupt dependence on domestic savings.

Actual developments were — quite expectedly — rather different from the above planned picture. Net foreign borrowing — measured as the deficit on current payments — persisted throughout, as we noted earlier.⁽¹⁵⁾ In fact it increased absolutely, but also relatively from one per cent of gross domestic product in 1960/61 to 4 per cent in 1964/65. During the second five years the performance of this indicator was however more satisfactory, notwithstanding the economic difficulties normally associated with a war-mobilized economy. The deficit on current payments was therefore only 1.5 per cent of gross domestic product in 1967/68. This sudden improvement in the balance of payments picture is partly explained by the severe cut in investments especially in the year following the June war of 1967, but also as a more determined policy towards balancing foreign payments began to take real shape. The decline in gross fixed capital formation was not however confined to the year 1967/68. As a matter of fact, ever since 1963/64 it showed relative stagnation. The projected level of 18 per cent for the investment ratio was actually surpassed however by 1963/64; it reached over 20 per cent. But this achievement was only made possible by drawing heavily on foreign savings; domestic savings did not contribute but 12.5 per cent of gross domestic product. The corrective measures taken later — and discussed below — led however to a pronounced increase in the share of domestic savings — in financing the investment programme — which reached 15.4 per cent in 1966/67. Had it not been for the aggressive war of June 1967 the decade might well have closed on a close to equilibrium balance between investment and domestic savings.

V. — Appraisal :

It is undoubtedly evident by now that before the first five year plan was completed in June 1965, several serious problems had started to develop and the fifth annual plan had to be adjusted downwards to cope with the situation. The second five

(15) The aforementioned export surplus realised in 1968/69 lies outside the scope of this paper — no data is yet available on this year.

year plan was also postponed for two years to make way for what was really a consolidation (interim) period, with smaller investments and a lower planned rate of growth of gross national product. This trend became evident to the planners in the UAR in the early days of the (postponed) second five year plan. In their follow-up report of 1965/66 they emphasized that the target of doubling the national income would have to extend over 13, probably 14 years instead of only 10.⁽¹⁶⁾

After the Middle East war of June 1967, what was left of the original 10-year plan was finally abandoned, with annual investment budgets for the years 1967 - 69 filling the gap, while a new 5-year plan for 1970-74 is being formulated.

The two years of 1965/66 and 1966/67 (the consolidation years) would have to be evaluated against the performance of the first five-year plan in general, and the problems, bottlenecks and imbalances these two years were set to treat in particular. The year 1967/68 would further have to be evaluated in the light of the severe disruption to the economy brought about as a result of the June 1967 war.

A.—The performance of 1960 — 64.

Gross domestic product increased by 37 per cent (against a planned 42 per cent) between 1960 and 1964 (F.Y.), an average annual rate of 6.5 per cent. The rate for 1964 marked, however, a deceleration of just under 40 per cent over the rates of the previous two years. The economy was being at the time subjected to severe pressure on resources especially for consumption, and inflationary tendencies — strictly controlled until 1963 — began to get over to the surface. The rise in consumption expenditures which was planned at 4.9 per cent, actually reached 8 per cent during 1963-1964 before it was cut down to 4 per cent in 1964 - 1965. Public consumption was, however, the principal factor behind this «dramatic» rise-and-fall movement in total consumption over the period. Private consumption growth was much more stable, and at a rate which was below the average for total consumption. (Table 1).

(16) Ministry of Planning, Follow-up Report 1965-66, p. 61, Cairo. 1967.

This heavy pressure on resources, which was manifested in price upsurges and a sharp deterioration in the foreign trade balance, was a result of a combination of factors :

- the commodity sectors which had previously increased at a much faster rate than the services sectors slowed down considerably in 1964/65. (Table 2).
- Employment increased at a high rate through the period and, with real wage rates also increasing, the total wage bill increased (in real terms) at a much faster rate than gross domestic product. The total real wage bill was in the fifth year of the plan 48 per cent above what it was before the plan. Other incomes (property incomes) were only 29 per cent more. As a result, the distribution of income was altered drastically in favour of wages and salaries: these rising from 43 per cent to 46 per cent of total gross domestic product over the Plan. (Table 2).

Two other factors — labour productivity and the efficiency of investment — were also on the adverse side of the picture, and helped to intensify the problem of imbalance in the economy. Labour productivity increased in real terms by only 8 per cent over the whole period while average wage earnings increased in real terms by 20 per cent. Unit labour productivity thus stood at the end of the period at 90 per cent of what it was at the beginning of it (Table 2). This continuing decline in productivity prompted the Prime Minister in October 1966 to put forward, as a principal guideline, that «wage rises must be conditioned by rises in productivity».

Similarly, investments over the five-year period were 95.9 per cent of what was planned, but income generated as a result was only 86.0 per cent of the plan figures. The ratio of the second to the first, which is 89.7 per cent, could be taken as an indicator of investment efficiency (Table 3). The fact that the ratio is below 100 could be interpreted as indicating wasteful investment execution, the existence of unutilized capacity, but also — and that cannot be ruled out — the possibility of initial under-estimation of capital output ratios in the plan figures.

The effect of these unfavourable developments was immediately felt both internally and externally. Prices, which remained quite stable until 1963 started suddenly to rise fast. In 1964

and again in 1965 the cost of living index rose by over 10 per cent thus bringing to an end a period of price stability that extended as far back as the early 1950's Externally, as would be expected, the economy was also facing a rapidly deteriorating foreign payments situation. Foreign indebtedness — made necessary by the ambitious first five-year plan and the low level of domestic savings (the savings-investment gap reached 8 per cent of gross domestic product in 1963/64) imposed a tremendous burden of servicing that made rephasing of some scheduled payments necessary. Another manifestation of the problems facing the economy in the field of international payments was the sale of gold late in 1966. Meanwhile, the deficit on the balance of commodity transactions continued to grow until in 1963/64, it reached 9.6 per cent of gross domestic product. Because of certain corrective measures taken during the following year, this deficit was reduced to 6.6 per cent of gross domestic product. The principal factor responsible for the deterioration in the balance of payments was, as we mentioned earlier, the unproportionate rise in merchandise imports, with a virtual stagnation in commodity exports. Imports of grains and industrial raw materials increased faster.

A number of factors could therefore be said to have been responsible for the unfavourable change which was repressed for a while only to explode during the last year of the first five-year plan in the United Arab Republic :

- (1) A rapid growth in population at a rate of 2.7 per cent annually which was reflected in increased consumption and imports of food; the plan assumed a rate of growth of population of only 2.2 per cent;
- (2) a faster rate of growth in the total wage bill, which again increased the pressure on resources (both internal and external) for consumption;
- (3) over optimistic projections by the planners of the length of the gestation period of the various industrial investments which led to a larger and longer dependence by the new industrial projects on imported raw materials and semi-manufactured goods;
- (4) faulty planning of inter-industry complementarity also

caused increased dependence by industry on imported materials;

- (5) a gradual decline in unit labour productivity especially in agriculture, and,
- (6) a decline in the efficiency of investment or grossly underestimated capital output ratios or a combination of both which led to more expenditures on investments than would otherwise have been necessary, or a lower growth in gross domestic product than could otherwise have been possible.

B. — Performance of 1965/1966 — 1966/67 :

Certain steps were taken during 1965 to cope with the imbalances in the economy. These were :

- (1) A slowing down of the growth of public expenditure on investments ;
- (2) giving priority to investments aiming at raising land productivity especially that under grains;
- (3) extending the second five-year plan into a 7-year period with the first two years devoted mainly to improving the complementarity of the existing industrial units, and increasing their export capacity;
- (4) establishing a special council for population control under the chairmanship of the Prime Minister;
- (5) checking payments for invisibles on the foreign payments bill, especially with regard to government expenditure.

The performance of the economy during the two years 1965/66 — 1966/67, judged against the principal target set for that period, namely to reduce pressure on resources both internal and external and to correct the resultant imbalances, seems to have been rather satisfactory. The steeply rising cost of living index — at an average annual rate of 12 per cent during 1964-1965 slowed down to 4 per cent in 1966 and kept constant throughout 1967. Similarly the balance of trade showed a surplus of \$ 17 million during the first half of 1967 compared

with a deficit of \$ 185 million in the same period of 1966⁽¹⁷⁾. The trade deficit for the whole of 1966/67 was only \$ 253 million against \$ 444 million in 1965/66. It went down further to \$ 228 million in 1967/68. This result was, however, achieved at the expense of fast growth in the economy. It was already mentioned that the rate of growth of gross domestic product had been cut down in 1964/65 by about 40 per cent to a rate of 5.5 per cent. This trend of slower growth continued also in 1965/66 and 1966/67 when gross domestic product increased by only 5.0 per cent and 2.5 per cent respectively (table 1).

Some important changes were decided upon during this period of consolidation 1966-1967. A growing awareness of the role the private sector can play especially in the export field, and a recognition of the necessity of scrutinizing the public enterprises on strictly sound economic basis prompted these changes:

- (1) The private sector is being given a more positive role in the economy. The banking system was asked to give more financial assistance and a training institute is to be set up to serve exporters.
- (2) To boost the handicraft and small industry, it was decided to advance credits to artisans and craftsmen at rates of interest below the current minimum of 5 per cent. The small and handicraft industry (with under 10 workers apiece) produces about 10 per cent of total industrial production and provides employment for 285,000 workers.⁽¹⁸⁾

This is about one third of industrial employment, or 4 per cent of total employment.

- (3) Industry and public trading corporations are being given financial autonomy. The «services» budget will be separated from the «works» budget and the losses of publicly owned enterprises will not be automatically subsidized as a result. Under the old system profits made by public sector plants have gone straight back to the Treasury, which has also

(17) National Bank of Egypt Economic Bulletin, No. 4, 1967, p. 335.

(18) Economic Intelligence Unit, *Quarterly Economic Review*, Egypt, No. 2 1968, p. 6.

made good their losses. Now enterprises will be expected to finance operations and, to a large extent, development from their own profits and by recourse to the commercial banking system.

- (4) A «Central Agency for Training» was set up to promote and coordinate training activities.

The above rough appraisal of the relatively short experience the United Arab Republic had in development planning and implementation suggests that the major problem this country has had so far, and is likely to face again in the 1970's lies in the human resources field. Fast population growth (2.8 per cent per annum) and a faster rate of growth of a labour force (3.3 per cent) that is relatively well educated and trained raises problems with at least the following two respects :

- (1) Employment opportunities which are economically difficult to increase but socially important to provide — especially for the educated — and hence the policy of appointment by decree of the surplus educated labour force every year and the consequential decline in labour productivity which was a manifestation of the growing degree of disguised unemployment in the whole economy ;
- (2) consumption requirements which were magnified as a result of this aspect of the employment policy; a wage earner naturally spends more on consumption than a non-income receiver.

The effect on development is two-fold. More resources are required to be devoted to the production of consumption goods; less to investment. Imports of consumption items are also increased either at the expense of «investment» imports or the worsening foreign trade balance picture or both. The result is imbalances both internally and externally, which tend to affect development adversely, and may force a slow down of the rate of growth, as they actually did in 1965 or the abandonment of the plan for a period of time which happened later.

Table I - UAR, General indicators of development (value in millions of US dollars at 1959 - 60 prices(1))
(Rate of change in percent)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
Population (thousand)	26397	26557	27244	27968	28699	30294	31162	32059
Rate of change	3.1	2.7	2.6	2.7	2.6	2.8	2.8	2.8
Gross domestic product	3136	3245	3534	3840	4053	4257	4361	4245
Rate of change	6.1	3.5	8.9	8.7	5.5	5.0	2.5	-2.7
Gross domestic product per capita (dollars)	119	120	127	134	138	141	140	132
Rate of change	3.0	0.8	6.0	5.9	2.8	2.2	-1.8	-5.5
Labour force (thousand)	6940	7169	7409	7657	7918	8187	8466	8752
Rate of change	3.4	3.3	3.3	3.3	3.4	3.4	3.4	3.4
Employment (thousand)	6512	6657	6868	7085	7311	7495	7634	7689
Ratio of labour force	93.7	92.9	92.7	92.5	92.3	91.5	90.2	87.9
Consumption, total	2678	2892	3124	3358	3483	3716	3761	3905
Rate of change	4.1	8.0	8.0	7.5	3.7	6.7	1.2	3.5
Ratio to GDP	85.4	89.1	88.4	87.4	85.9	87.3	87.3	92.0
Private consumption	2130	2362	2456	2541	2630	2788	2827	2810
Rate of change	2.2	10.9	4.0	3.5	3.5	6.0	1.4	-0.6

Table 1 (Continued)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
Public consumption	548	530	668	817	853	928	934	1095
Rate of change	12.0	-3.5	26.0	22.3	4.4	8.8	0.5	16.0
Exports, value (2)	435	347	455	548	610	595	601	567
Imports, value (2)	517	624	810	963	922	1039	854	795
Foreign balance on current payments (2)	-36	-199	-240	-312	-175	-314	-34	-84
Terms of trade Prices (3)	100	95	96	88	90	87
Cost of living index	101	101	97	99	112	124	130	...
Wholesale price index	100	102	101	102	108	117	126	131

Source : U.A.R. Ministry of Planning, follow - up reports, National Bank of Egypt, Economic Bulletin, several issues, United Nations, Monthly Bulletin of statistics, December 1969.

1.—Values of 1965 - 66 and later years at 1964 - 65 prices were deflated to reduce them to 1959 - 60 prices.

2.—Current prices

3.—Calendar year-end data, 1959 - 60 = 100

TABLE 2 - U.A.R. : Selected indicators of economic development by sectors in constant 1959-60

Prices

	Gross domestic product		Total wages		employment (000.s.)		average wage earnings		Labour Productivity		unit labour productivity index 59/ 60=100	
	Million dollars	%	annual Rate of growth	million dollars	% of Gdp	Total	%	\$	index 59/ 60 = 100	\$		
												index 59/ 60 = 100
1.—Agriculture												
1959-60	932	31.5	—	225	24.1	3245	54.0	69	100	412	100	100
1964-65	1078	26.6	3.6	352	32.1	3780	51.5	92	133	414	100	75
1967-68	1257	29.6	1.5	395	31.4	3867	50.3	110	159			
2.—Industry												
1959-60	589	19.9	—	204	34.6	602	10.0	339	100	4153	100	100
1964-65	880	21.7	8.5	313	35.6	825	11.3	382	112	4526	109	97
1967-68	913	21.5	1.3	313	34.3	867	11.3	388	114			
3.—Electricity												
1959-60	23	0.8	—	6	26.1	12	0.2	500	100	3556	100	100
1964-65	53	1.3	18.5	12	23.3	18	0.2	550	118	4577	129	109
1967-68	59	1.4	6.6	9	15.3	19	0.2	535	107			
4.—Construction												
1959-60	108	3.7	—	69	63.8	185	3.1	373	100	1269	100	100
1964-65	206	5.1	17.1	110	53.1	345	4.7	329	88	1106	87	99
1967-68	161	3.8	5.8	93	57.7	260	3.4	383	103			

Table 2 (continued)

<i>9.—Other Services</i>													
	1959-60	611	20.7	—	493	80.7	1067	17.8	462	100	644	100	100
	1964-65	904	22.3	8.0	708	78.3	1307	17.8	444	96	690	107	107
	1967-68	1023	24.1	4.9	794	77.6	1507	19.0	455	98			111
<i>Total Services Sectors</i>													
	1959-60	1304	44.1	—	760	58.3	1962	32.7	387	100	805	100	100
	1964-65	1840	45.4	6.8	1084	58.9	2365	32.3	400	103	881	109	94
	1967-68	1855	43.7	1.1	1198	64.5	2676	34.0	412	106			
<i>Grand Total</i>													
	1959-60	2956	100.0	—	1264	42.8	6006	100.0	210	100	948	100	100
	1964-65	4053	100.0	6.5	1852	45.7	7311	100.0	253	120	1028	108	90
	1967-68	4245	100.0	1.1	2008	47.3	7689	100.0	259	123			

Source ; same as in Table 1.

I. — Annual average for the period 1959-60 to 1964-65 appears opposite 1964-65 in the table .
The figure for 1967-68 is the annual average for the three years 1965-66 to 1967-68 .

Table 3 - United Arab Republic : Efficiency of Investment, 1961 - 1965
(Millions of dollars)

	Investments, total 1961 - 65		Percentage of actual to planned investment	Increase in GDP 1961-65		Percentage of actual to planned increase in GDP	Ratio 4 : 2
	Planned M\$	actual M\$		Planned M\$	actual M\$		
Agriculture	799.0	816.4	102.2	199.3	165.5	83.0	81.2
Industry	1,022.8	929.0	90.8	377.7	296.0	78.4	86.3
Electricity (power)	331.7	259.0	78.1	37.3	29.0	77.8	99.6
Construction	11.5	30.4	264.0	127.0	104.7	82.4	31.2
Total commodity sectors	2,165.0	2,034.8	94.0	741.3	595.2	80.3	85.4
Transport and communications	641.7	676.7	105.4	132.5	148.8	112.3	106.5
Trade and Commerce	11.5	44.9	390.0	93.8	52.2	55.6	14.3
Housing	457.7	371.3	81.2	21.4	16.4	76.3	94.0
Public utilities	115.9	116.2	100.2	3.7	3.0	81.3	81.1
Other services	235.1	236.0	100.4	283.6	281.5	99.3	98.9
Total service sectors	1,461.9	1,445.1	98.9	535.0	501.9	93.8	94.8
Grand total	3,626.9	3,479.9	95.9	1,276.3	1,097.1	86.0	89.7

Source: The United Arab Republic Ministry of planning, Follow-up and Evaluation of Development Basic Features of the First Five - Year plan (1960-61 -1964-65).

Table 4 - U.A.R. : Financing of gross Fixed Capital Formation, and changes in savings and investment Ratios, 1960-61 - 1967-68 .
(current values in millions of U.S. dollars, and percentages)

	Total gross fixed capital formation	Inventory accumulation	Total gross capital formation	Domestic savings	Net foreign borrowing (1)	Ratio to gross national product of (2)		
						gross capital formation	gross domestic savings	Net foreign borrowing
1960-61	520	(3)	520	483	37	15.3	14.4	1.0
61-62	580	(3)	580	382	198	16.2	10.9	5.3
62-63	690	(3)	690	451	239	17.7	11.6	6.1
63-64	856	(3)	856	543	313	20.3	12.5	7.8
64-65	837	85	922	747	175	18.2	14.1	4.1
65-66	883	184	1067	752	315	19.6	13.7	5.9
66-67	842	62	904	869	35	16.0	15.4	0.6
67-68	685	115	800	717	83	13.7	12.2	1.5

1.—Equal deficit on current payments. This differs from figures quoted in the text for some years because of the traditional difference between foreign exchange control statistics and customs statistics. Figures in the table are on the latter basis.

2.—Gross domestic product in 1962-63 and 1963-64.

3.—The follow-up report on the first five year plan (Cairo, February 1966) did not distinguish between fixed capital formation and inventory accumulation, although the frame did project an increase in inventory accumulation of M\$ 276 over the 5-year period.

Table 5 - U.A.R. gross fixed capital formation, by sectors, in current prices 1960-61 - 1967-68
(Value in millions of U.S. dollars, and percentage to total)

	59-60		60-61		61-62		62-63		63-64		64-65		65-66		66-67		67-68		Average percentage share in total investments, 60-68
	%		%		%		%		%		%		%		%		%		
1.—Agriculture(1)	69	17	17	123	21	170	25	233	28	204	25	189	22	191	22	145	21	22	22
2.—Industry	113	29	156	30	115	20	186	27	242	28	230	27	232	26	225	27	198	29	27
3.—Electricity (power)	14	4	14	3	14	3	25	4	83	10	122	15	16	9	9	2	0	5	5
4.—Construction	—	—	—	—	—	—	9	1	12	1	12	1	140	16	159	19	120	18	7
Total commodity sectors	196	50	257	50	252	44	390	57	570	67	568	68	577	66	584	69	465	68	61
5.—Transport & communications	83	21	173	33	163	28	124	18	104	12	113	14	122	14	106	13	87	13	17
6.—Trade & commerce	—	—	—	—	12	2	9	1	16	2	9	1	7	1	7	1	2	—	1
7.—Housing	68	18	44	8	87	15	87	12	85	10	71	8	110	11	96	11	97	14	12
8.—Public Utilities	18	4	18	3	25	4	32	5	18	2	25	3	28	3	21	2	9	1	3
9.—Other services	28	7	28	6	41	7	48	7	63	7	51	6	39	5	28	4	25	4	6
Total services sectors	197	50	263	50	328	56	300	43	286	33	269	32	306	34	258	31	220	32	39
Grand total	393	100	520	100	580	100	690	100	856	100	837	100	883	100	842	100	685	100	

I.—Includes High Dam investments.
Source : UAR Ministry of planning, Follow - up Reports, several issues