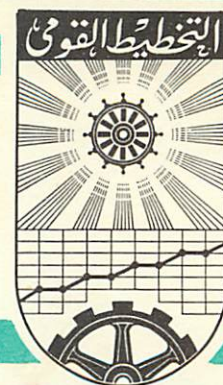


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THE NATIONAL OUTLAY OF THE UAR
(EGYPT), 1937-39 AND 1945-1962/63

by

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Contents

	page
i) The Pre-War Years	3
ii) Table I: The Period 1945-53	3
iii) Table II: The Period 1946-56	4
iv) Table III: The Period 1952/53-1962/63	5
v) Conclusions	6
 Table I , Availability and Use of Resources 1945-53..	10
Table II , " " " " " " 1946-56..	11
Table III , " " " " " " 1952/53-62/63	12
 Fig. I , The Share of Fixed Gross Investments in GNI..	13
Fig. II , " " " Public Consumption in GNI	14
Fig. III, " " " Private Consumption + x+y in GNI	15
Fig. IV , Gross National Income	16

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In both academic teaching and research work a great need is felt for information about the availability and use of resources in the UAR (Egypt), not only for the post-war but also - in order to judge about trends of development - for the pre-war years. Actually a good deal of work has been done on this kind of statistics, mainly within the National Planning Committee (NPC), but only parts of it has been published, and no attempts have hitherto been made to put together the various pieces of research into a consistent whole, allowing for comparisons back in time of the trends of developments. As a basis for a fair judgement of the achievements of the present 5-year plan e.g., such comparisons are indispensable.

Concerning national product and national income, definitionally consistent and comparable series going back to 1945 (1939) have recently been presented by Donald Mead and myself.¹⁾ It seems natural to follow up these national income compilations by corresponding compilations of tables on the availability and use of resources for the same period. In connection with the national income compilations, certain new information about the Government sector was obtained which makes it possible to establish balance of resources tables for the period

*) Dr. Nazih Deif, Dr. G.A. Marzouk and Donald Mead have been very helpful with information, discussion and comments. The responsibility for the compilations is exclusively mine, of course.

1) Bent Hansen & Donald Mead, "The National Income of the UAR (Egypt), 1939-62", Memo No. 355, INP, Cairo, 21 July 1963.

1945-1962/63. One of these, Table I, is at current prices and covers the years 1945 to 1953. The second, Table II, is at fixed 1954 prices and covers the years 1946 to 1956. The last, Table III, is at current prices for the years 1952/53 to 1959/60.

The tables are not fully comparable, but they are at least definitionally consistent and for the overlapping years the quantitative deviations are tolerable. Needless to say the figures for recent years are more reliable than for earlier years. The comments on the statistical sources in section ii) to iv) will reveal the main statistical weaknesses. A difficult choice had to be made concerning the import surplus where several statistics are available; after careful consideration of the advantages and disadvantages the payments statistics of the NBE were used, but fortunately the main results are not affected by this choice. As an introduction a few remarks on the pre-war conditions will be made; to make a complete balance of resources for pre-war years is not possible. In section v), finally, a few conclusions concerning the trends of development are drawn.

The margin of uncertainty of the figures is substantial, the limited coverage of stock statistics being perhaps one of the most serious short-comings. In particular, it should be observed that private consumption is everywhere obtained as a residual. This means on the one side that the outlay figures cannot serve as a control on the reliability of the national income figures, and on the other side that all errors in the other series cumulate in the series for private consumption. This makes the private consumption figures rather uncertain and they should not be used for year to year comparison without great caution; only long term trends and persistent changes should be considered. In this respect, however, I feel that the results will prove helpful in both teaching and research work, and I hope that they may serve as a source of inspiration for improvements of the national income and outlay estimates - past and future - in the UAR, and for research in past developments.

i) The Pre-War Years.

In his study of long term developments of investments and income, Dr. A.F. Sherif¹⁾ estimated the share of fixed investments in total monetary income to about 7 pct. on average for the years 1937-39. Dr. M.A. Anis²⁾ in his national income study estimated the value of output of Government services to about 5 pct. of national income for the same years. Applying the relation found for the 'fifties (see below) between Government wages and public consumption, this means that public consumption may have been about 7½ pct. of national income. Compared with the level of public expenditures this looks rather low, and the percentage may have been higher. No reliable balance of payments estimate is available, but whatever net foreign borrowing there may have been, the conclusion seems clear that some 85 pct. of national income was spent on private consumption during the years 1937-39. The range of uncertainty for this figure is rather high.

ii) Table I: The Period 1945-54.

This is an estimate at current market prices. The GNI-series is that of Dr. S.H. Abdel-Rahman.³⁾ The Net Import of Commodities and Services is equal to the deficit of the balance of current payments as compiled by the National Bank of Egypt (Central Bank of Egypt)⁴⁾; the figure for 1945 is highly uncertain. This series is based on payments statistics and this means among other things that the "net imports" deviates from the true commodity and service flow by the so-called leads-and-lags in commercial payments; I have indicated this unknown source of error by a "y" in the tables. Due to the method of calculation, this factor will reappear in the estimates of private consumption. Gross fixed invest-

1) Dr. A.F. Sherif, "The General Trend of Growth of the Egyptian Economy During the Last Quarter of a Century", Memo No. 121, NPC, Cairo 1959, (In Arabic).

2) Dr. M.A. Anis, "A Study of the National Income of Egypt", L'Egypt Contemporaine, Nos. 161-2, Cairo 1950.

3) Dr. El Sayed Hafez Abdel-Rahman, A Survey of Foreign Trade in Egypt in the Post-War Period, University of Cairo, Fac. of Com. Library, unpublished doct. thesis, 1959.

4) See NBE, Economic Bulletin, and CBE, Economic Review, several issues.

ments are the series estimated by Dr. Abdel-Rahman.¹⁾ His methods of calculations were rather crude and from the methods of estimation, it follows that the level is too low. The series for stock-changes is based on the fixed 1954-prices figures of Table II converted to current prices by means of an index for the cotton prices; the series for stock changes includes in the main only changes in the stocks of cotton, grain and a few other commodities. The non-recorded stock-changes, appearing as an unknown factor is total gross investments and, with opposite sign, in private consumption too, are indicated by the factor "x". Public consumption was estimated by the same method which is applied for the years 1952/53-1956/57, see below. It should be added that our figure for public consumption in 1945 at current prices fit well with Dr. Anis's estimates.

iii) Table II: The Period 1946-56.

This is a fixed price estimate at 1954 market prices. The GNI-figures are those of Hansen & Mead.²⁾ The Net Import of Commodities and Services were obtained as in Table I and are deflated by the official wholesale price index. Since terms of trade gains and losses are already included in the GNI-figures, we have only to consider the deflated deficit on the current balance of payments. The deflation method is an open question, but fortunately it is a quantitatively secondary thing. The Gross Investments, divided in private and public fixed investments together with stock changes, are the estimate of the GNP.³⁾ Stock changes include only certain commodities (cotton, grain etc.) and the non-recorded stock changes are once more indicated by an unknown x. Public consumption was calculated from the series of Government wage payments, including cost-of-living allowance, at 1954-prices (i.e. at 1954-wage rates) as estimated by Hansen & Mead.⁴⁾ multiplied by 1.54 which is the relation between Government wages and public consumption at current prices found for 1956/57. Private consumption was again obtained as a residual.

1) Abdel-Rahman, op.cit., App.3. The series for fixed investments and national income presented by Dr. Sherif, op.cit. shows the same picture as Abdel-Rahman.

2) Hansen & Mead, op.cit. The figures from 1946 to 1954 are taken directly from Table 4, while the figures for 1955 and 1956 were found through interpolation in Table 8 and chaining to the figure for 1954.

3) Memo No. 40 A, NPC, 1957, (In Arabic).

4) Hansen & Mead, op.cit. Table 3.

iv) Table III: The Period 1952/53 - 1962/63.

The table is at current prices. The GNI-figures from 1952/53 to 1959/60 are those of Hansen & Mead.¹⁾ Those from 1960/61 - 1962/63 are the gross domestic product figures of the Ministry of Planning. The difference between the two sets of figures is negligible (LE 3 mill. in 1959/60) and for any practical purpose they are comparable. The Net Import of Commodities and Services were obtained as in Table I. The Gross Investment series for the years 1952/53 to 1959/60 is taken from the Statistical Atlas²⁾; for the years 1960/61 - 1962/63 the figures of the Ministry of Planning for actual investments were used. Stock changes were for the years 1952/53 - 1955/56 taken from Table II, interpolated and inflated by the cotton prices; from 1956/57 stock changes were estimated as the value of changes in the stocks of cotton during the nearest cotton year. Public consumption has been calculated with the Ministry of Planning estimates for 1959/60 to 1962/63 as a starting point; the years 1956/57 to 1958/59 were obtained through chaining to the Ministry of Planning figures for 1959/60 a series for current expenditure minus interest payments, price subsidies, railways and petroleum authorities' and development expenditures; the years 1945 - 1955/56, finally, were obtained through chaining to the figure for 1956/57, obtained as above, a series for Government wage payments including cost-of living allowances.³⁾ (A better series for public consumption will be available when Dr. Rasheed Khalid finishes his budget analysis; at present, however, the series obtained here seems to be the best one at hand). Private consumption was then obtained as a residual. The figures for 1962/63 are preliminary.

1) Hansen & Mead, op.cit. Table 8.

2) Ten Years of Revolution, Statistical Atlas, Department of Statistics and Census, Cairo 1963, Table 11.

3) Hansen & Mead, op.cit. Table 3.

v) Conclusions.

As pointed out earlier the figures in Table I-III are quite shaky; this is in particular true for the residual Private Consumption. Since the latter also includes some stock changes (in particular of imported goods) together with capital exports connected with the leads-and-lags in foreign payments, only larger shifts and persistent trends in consumption should be considered. In the long run both the stock changes and the leads-and-lags changes will probably even out or at least boil down to small, unimportant factors. With this general warning, the following trends (measured as shares of GNI) seem documented:

Gross fixed investments show during the "private enterprise period" 1945 to 1955/56 a typical cyclical pattern related through foreign trade and domestic economic policies to the general "world cycle". The Suez War brought with it a fall in the share of investments (the reason being the distortion of foreign trade), but since then a continuous increase in the share of investments has taken place, see Fig. I.

To compare the performances of the old "private enterprise" economy and the present "plan economy", it may be suitable to consider the years 1948-51 together with 1954/55 and 1955/56, or 1954 and 1955 resp. as "boom years" (or, "good Years", at least) and 1952 and 1953 as "depression years", while the years 1956/57 (1956) to 1959/60 are disregarded as being years of transition from private enterprise to plan economy, highly distorted by the Suez War and the following changes in the patterns of foreign trade. We have also to account for the difference in level for overlapping years in our three tables. We shall choose to adjust the levels of Table I and II to that of Table III. Concerning Table II, we have to adjust according to the difference in 1954 (the price basis year), and we find that the investment shares of Table II has to be adjusted upwards by about 1½ pct. unit. Concerning Table I, the years 1952, 1953 and 1952/53, 1953/54 show a difference of about 3 percentage units by which we adjust the fixed investment shares of Table I upwards. We find then for the post-war years

Private enterprise-Egypt:

Boom years
Depression years
Average over the business cycle

Average shares of fixed
gross investments in GNI.

14-15 per cents
12-13 " "
13-14 " "

Plan-Egypt:

During the plan years the "free" world economy has been governed by a booming Europe and Japan, and a rather slack USA. The raw materials markets, incl. cotton, were in general not booming and, furthermore, the Egyptian foreign exchange position was deteriorating rapidly during these years, partly due to the crop failure in 1961/62. For a fair comparison it seems reasonable - although, of course, nobody knows how the investments would have developed after 1952 if no changes in the economic system had occurred - to compare with the average over the business cycle during the post-war "private enterprise-years". This gives us 13-14 pct. for private enterprise-Egypt as against 16-17 pct. for plan-Egypt with a clear tendency for this share to increase. In this comparison, it should be remembered on the one hand that the share of fixed investments in pre-war private enterprise-Egypt seems to have been only about 7 pct. and that without Government interference the share might have been growing in any case. On the other hand, we also know that the years 1948-51 may have been influenced by a pent-up replacement demand from the war period, and that already from 1952/53 the Government started intervening with the investment activity; actually the share of public fixed investments increased from 1952/53.

Public consumption, see Fig. II, increased its share in GNI strongly during the years 1948-52 (defense expenditures connected with the Palestine crises). From 1952/53 to 1960/61 the share stayed fairly constant with a natural temporary increase around the Suez War. From 1961/62 a certain increase took place again.

Private consumption has experienced a long run fall compared with GNI. Before World War II its share of GNI seems to have been of the order of magnitude 85 pct. The series for the years 1952/53 to 1952/63 (see Table III), ends up in a level of slightly above 70 pct. Even taking into regard that the level of the earlier years ^{has to be adjusted down by about 2 pct. units} we have to do with a fall in the share of consumption by more than 10 per centage units over the last 25 years. Exactly when this fall has taken place is difficult to judge due to the uncertainty of our series and the large irregularities which they display. The immediate post-war years show very large variations in the share of consumption. From a low level of about 78 pct. in 1945 (probably still influenced by war time shortages), it rose to about 85 pct. the following year(s) (probably influenced both by satisfaction of pent-up war-time consumer demand, and unrecorded stock refillings), only to move down

again to a level between 75 and 80 pct. during the following four years. Our two series show unfortunately a rather divergent picture for the years 1949 and 1950, but both series agree in a fall in the share of consumption from 79-80 pct. in 1948 to about 77 pct. in 1951. All series agree on a relatively high share in 1952 (most probably due to unrecorded stock-pilings in connection with the abnormally high imports in 1951 and 1952, and perhaps also a temporary fall in savings due to the political events that year). After this there is a new fall and around 1955 to-day's share seems to have been reached. Disregarding the various short term irregularities mentioned above (during the whole period the "leads-and-lags" may have contributed to the irregularities in a way which is very difficult to ascertain), it is my impression that there may have been a slight fall in the "normal" share of consumption from pre-war to post-war years (but about this I feel quite uncertain), and that from the immediate post-war years until 1955 a (further) gradual fall in the share took place.

Most probably the development of the share of consumption has to be explained by the development of the state finances incl. the pension and insurance funds after 1956 (influencing the relation between GNI and private disposable income), and to the strong shifts in income distribution, which took place in connection with the war time inflation, the Korean boom and its aftermath, the agrarian reforms, the increase in protectionism around 1954, and the lagging wages. Actually the share of taxes and other Government revenues in GNI rose from about 19 pct. in 1945/46 to about 25 pct. in 1955/56, i.e. about 6 pct. units. The share of consumption fell from 1946 to 1956 from about 85 pct. to about 75 pct., i.e. by about 10 pct. units. Measured from 1945 to 1955 the fall seems to have been somewhat smaller. The fall in the share of private disposable income in GNI seems therefore to explain a major part of the fall in the share of consumption during the post-war period. At the same time there was most probably a shift in private disposable income in favour of company profits. Concerning the (perhaps fictitious) fall in the share of consumption from pre-war to post-war years, other forces must have dominated the picture because the share of taxes etc. in GNI actually fell from about 20 pct. in 1938/39 to 19 pct. in 1945/46, which means that the share of disposable private income has most probably risen. For the war period we have to rely on the shift in income distribution in favour of profits and rents in connection with shortages as the possible explanation for a falling share of consumption.

From around 1955 the share of consumption has been rather constant (obs. that the short term fluctuations in the share of consumption are closely related to the size of the balance of payments deficits, which probably simply means that the non-recorded stocks, the factor x, mainly consists of import goods), but so has been also the share of taxes (incl. pension and insurance funds accumulations there has been a slight increase). Many other interventions have, however, taken place during this period which might have affected the share of consumption. There is, however, no evidence for a tendency for the share of private consumption to increase during recent years. Even if we take into account the possibility that investment prices may have risen more than other prices, and think in terms of fixed prices, an increasing share of consumption during recent years seems out of question.

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Table I.
Availability and Use of Resources 1945-1953.
 LE mill. at current market prices.

	1945	1946	1947	1948	1949	1950	1951
GNI	552	535	578	718	829	916	1031
Net Import of Com. & Serv. + y	-45	13	21	7	4	11	1
Total Available + y	507	548	599	725	833	927	1031
Fixed Gross Investments	28	41	53	77	94	97	103
Changes in stock of cotton etc.	-3	-2	-1	6	-6	-8	1
Total Gross Investments - x	25	39	52	83	88	89	104
Public Consumption	49	50	52	69	84	117	121
Private Consumption + x + y	433	459	495	573	661	721	787
Total Uses + y	507	548	599	725	833	927	1031
<u>Shares in GNI: (per cents)</u>							
Net Imports + y	-8.1	2.5	3.7	1.0	0.5	1.2	1.0
Fixed Gross Investments	5.1	7.7	9.2	10.7	11.3	10.6	10.3
Total Gross Investments - x	4.5	7.3	9.0	11.6	10.6	9.7	11.0
Public Consumption	8.9	9.3	9.0	9.6	10.1	12.8	12.7
Private Consumption + x + y	78.4	85.8	85.6	79.9	79.7	78.7	77.0

y indicates capital exports due to changes in the
 leads-and-lags in foreign payments.
 x indicates unrecorded stock changes.

Table III.

Availability and Use of Resources.

1952/53-1959/60 at current market prices.

1960/61-1962/63 at current market prices.

(LE mill).

	52/53	53/54	54/55	55/56	56/57	57/58	58/59	59/60
GNI	905	963	1014	1072	1125	1195	1256	1372
Net Import of Com. & Serv. + y ¹⁾	31	-10	25	39	20	46	17	36
Total Available + y	936	953	1039	1111	1145	1241	1273	1408
Gross Investments - x	119	132	146	172	151	165	181	171
Stock changes - x	3	9	12	12	1	15	1	-13
Public Consumption	133	135	140	164	175	172	173	187
Private Consumption + x + y	684	686	753	775	819	904	919	1050
Total Use + y	936	953	1039	1111	1145	1241	1273	1408
Shares in GNI: (per cents)								
Net Import + y	3.4	-1.0	2.5	3.6	1.8	3.8	1.3	2.6
Gross Investments -x	13.1	13.7	14.4	16.0	13.4	13.8	14.4	12.5
Fixed Gross Investments	12.8	12.8	13.0	14.9	13.3	12.6	14.5	13.4
Public Consumption	14.7	14.0	13.8	15.3	15.6	14.4	13.8	13.6
Private Consumption + x + y	75.6	71.3	74.3	72.2	72.8	75.6	73.1	76.5

o) All figures preliminary.

y indicates capital exports due to changes in the leads-and-lags in foreign payments.

x indicates unrecorded stock changes.

1) For each of the years 1959/60 LE 10 mill. have been added Russian deliveries for the 1 deliveries are not included estimates of the Balance of

Table II.
Availability and Use of Resources 1945-1956.
LE mill. at fixed 1954-market prices.

	1945	1946	1947	1948	1949	1950	1951	1952	1953
GNI	673	704	731	908	937	1013	1084	1001	956
Net Import of Com. & Serv. + y	-47	14	24	8	4	11	14	50	8
Total available + y	626	718	755	916	941	1024	1098	1051	964
Gross Investment - x		64	188	121	130	137	149	115	111
of which:									
Private fixed		55	77	99	117	122	115	87	70
Public fixed		11	12	15	18	19	26	28	35
Stock changes - x		-2	-1	7	-5	-4	8	-	6
Public Consumption	46	50	55	75	99	108	118	128	124
Private Consumption + x + y		604	612	720	712	779	831	808	729
Total Uses + y	626	718	755	916	941	1024	1098	1051	964
<u>Shares in GNI: (per cents)</u>									
Net Import + y	-7.0	2.0	3.3	0.9	0.4	1.1	1.3	5.0	0.8
Gross Investments - x		9.1	12.0	13.3	13.9	13.5	13.7	11.5	11.6
of which:									
Private fixed		7.8	10.5	11.0	12.5	12.0	10.6	8.7	7.3
Public fixed		1.6	1.6	1.7	2.0	1.9	2.4	2.8	3.7
Total fixed		9.4	12.1	12.7	14.5	13.9	13.0	11.5	11.0
Public Consumption	6.8	7.1	7.5	8.3	10.6	10.7	10.9	12.8	13.0
Private Consumption + x + y		85.7	83.7	79.2	75.9	76.9	76.6	80.7	76.2

y indicates capital exports due to changes in the
leads-and-lags in foreign payments.
x indicates unrecorded stock changes.