

Prime Minister
2/8
[Signature]

FM BIS BUENOS AIRES

TO PRIORITY FCO

TELNO 301 OF 19 AUGUST

INFO PRIORITY DOT BANK OF ENGLAND TREASURY
ECONOMIC ROUND UP

1. SINCE 6 JULY, WHEN EXTREME ECONOMIC MEASURES WERE APPLIED, DIFFICULTIES ARE INCREASING IN ALL SPHERES OF THE ECONOMY.

2. THE DEVALUATION AND THE SPLITTING OF THE EXCHANGE RATE ON A TWO-TIER SYSTEM (THERE ARE ACTUALLY 17 EXCHANGE RATES) IS SAID TO BE A FAILURE, AS FARM PRODUCTS ARE EXPORTED AT COMMERCIAL RATE WITH HEAVY RETENTIONS WHILST THE CENTRAL BANK LOSES RESERVES OF APPROXIMATELY US-DOLLARS 80 MILLION PER WEEK IN ORDER TO KEEP THE FINANCIAL RATE STEADY.

3. RESERVES DROPPED A FURTHER 200 MILLION DOLLARS DURING THE WEEK OF 9 AUGUST MOST OF WHICH WAS AIMED AT PAYING THE OUTSTANDING FOREIGN DEBT.

4. WAGES CALCULATED ON THE BLACK MARKET DOLLAR RATE HAVE NOW FALLEN TO CRITICAL LEVELS. A WORKER'S BASIC WAGE IS NOW THE EQUIVALENT OF US-DOLLARS 25 PER MONTH. SPECIALIZED LABOUR AND MOST EMPLOYEES EARN LESS THAN US-DOLLARS 100 WITH EXCEPTIONS ABOVE 150 WHILST SENIOR EXECUTIVES EARN LESS THAN US-DOLLARS 1,000 PER MONTH.

5. LACK OF IMPORTED RAW MATERIAL ASZQL [GP UNDEC] COMPONENTS IS AFFECTING LOCAL INDUSTRY WHICH IS MOSTLY SURVIVING ON REMAINING STOCKS. FORD MOTOR ARGENTINA HAS APPROXIMATELY 1,500 CRIPPLED UNITS IN THEIR YARD.

6. GDP DROPPED 8.1 PER CENT DURING THE SECOND QUARTER OF THE YEAR WHICH INCLUDES A 14.5 PER CENT DECLINE IN INDUSTRIAL ACTIVITY. A 7 PER CENT GDP DROP WAS RECORDED FOR THE FIRST SIX MONTHS.

UNEMPLOYMENT HAS NOW REACHED 6 PER CENT WHILE ANOTHER ESTIMATED 8.2 PER CENT REMAIN UNDEREMPLOYED.

JOY

POWELL-JONES

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