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## United Kingdom and Italy: Contrary economic trends

Intereconomics

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## Portugal

In 1961, 1962, 1963 and 1964, apparently no Portuguese investments in the form of participations have been made in Hamburg. In 1965 only one Portuguese firm has been set up: Faser Importhandelsgesellschaft mbH with a capital stock of DM 200,000 having a Portuguese majority.

### Companies with Swiss Capital in Hamburg 1965 \*

Name of firm	Capital in DM	Swiss majority (yes / no)
Fadco (Deutschland GmbH (Im- and export)	100,000	no
Minolta Camera Handels GmbH (Wholesale trade)	80,000	yes
Project-Finanz GmbH (Financial consultants)	20,000	no
Dudeins Industrieeräte Handels-GmbH (Wholesale and foreign trade)	100,000	no
Giraudan GmbH (Import, manufacture)	400,000	yes
Dube Fototechnik Vertrieb GmbH (Im- and export)	20,000	no

\* Year of foundation. Listed in order of registration.

## Finland

1961, 1962, and 1963 no firms with Finnish capital contribution have been established in Hamburg. 1964

two minor firms settled, one of them the branch of an enterprise constructing prefabricated houses.

### Finnish Companies in Hamburg 1965 \*

Name of firm	Capital in DM	Finnish majority (yes / no)
AA-Lines GmbH	20,000	yes
Finntex Im- und Export	45,000	yes
Finska Schiffsahrts-Kontor GmbH (Shipping agents)	20,000	yes
Greek Shipping Company Reederei	20,000	yes
"Fennia" Export-Import GmbH	20,000	no

\* Year of foundation. Listed in order of registration.

In Schleswig-Holstein even more manufacturing enterprises and other EFTA firms have been established than in the Hamburg area. Between 1949 and 1964 more than 100 enterprises set up business in Schleswig-Holstein, among them about sixty from Denmark, thirteen from Sweden, eleven from Britain, three from Norway, and four from Switzerland.<sup>1</sup>

<sup>1</sup> Complete and detailed list of these firms published in WIRTSCHAFTSDIENST, 46. Jg. (1966), No. 4, pp. 217.

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## World Business Trends

### United Kingdom and Italy: Contrary Economic Trends

When introducing its new budget the British government considered it necessary to continue applying the brake to domestic demand, although during the first months of 1966 production has only slightly surpassed the previous year's corresponding level. Already in 1965 the increase in the British gross national product had slowed down very considerably, in real terms it reached 2.3% after 5.8% in 1964. To some extent this development directly reflected the check to private consumption caused by an increase of consumption taxes—as had been intended for reasons of economic policy. What slowed down most, however, was the growth rate of fixed investments, in real terms from 16% in 1964 to no more than 4% in 1965. This recession was most pronounced in house-building and fixed investments of private enterprises, but also public investments had been involved. Among domestic appropriations of the GNP it was only public consumption that showed an accelerated growth.

Since autumn 1964 already the internal determinants of economic policy have been more than ever subordinated to external targets. Certain results have been achieved in this connection. Above all the deficit on visible trade of £ 535 million in 1964 decreased to £ 265 million in 1965. Decisive for this development had been the fact that imports—due to the import surcharge—did not rise to any extent whilst exports increased by 7%, although this is less than that achieved by other industrial countries. Also during the current year the deficit on visible trade should decline again, though partially due to a postponement of imports pending the announced cancellation of the surcharge in November. Later on, however, it will be all the more difficult to obtain the surpluses required for the mature repayment during the next years of emergency credits.

Thus the British government will have to realise that even the present restraining of expansion (estimated growth rate of the gross

national product approximately + 2% in real terms in 1966) has not been sufficient to secure stabilisation in the field of foreign trade and payments. A further tightening of restrictions aiming at a short-term improvement of the balance of payments—apart from complications in the labour market—runs the risk of more than hitherto damping down the propensity to invest and also of delaying the British economy's increase in productivity and capacity required for a long-term rehabilitation. In order to face these risks last not least the new Selective Employment Tax has been created which favours the manufacturing industry. Whether or not this instrument will be a success is still an open question.

The rapid expansion in Italy contrasts sharply with the development in Britain. During the two first months of the current year Italy's industrial expansion surpassed the previous year's corresponding level by nearly 10%. Also the vigorous increase of imports since the middle of 1965 is a clear indication of the strength of stimulating forces. The emphasis of

expansion has shifted increasingly from foreign to domestic demand. For one year now the utilisation of national resources has been improving continuously but full employment has not nearly been attained yet.

To a great extent the recently published annual results for 1965 are still reflecting the recession which has been overcome in the meantime even though the increase of the gross national product (+ 3.4 % in real terms) was higher than had been expected. As regards its appropriation there was another considerable shift from investments to consumption. In 1965 investments in fixed assets decreased more than in the preceding year (— 8 % in real terms). However, already in the second half of 1965 the development of production as well as that of imports pointed at a light recovery of demand for capital goods, although the propensity to invest—considering the initial position—has improved but very slightly so far. This might be an indication of available spare capacities.

Price developments during the past year have considerably calmed down in Italy. The increase in prices of the total national product has made that particularly clear. In 1965 its „price index“ rose by less than 4 %, after 7 % in 1964. In February, 1965, the cost-of-living index was only 2.5 % above the previous year's level, wholesale prices of industrial products, excluding foodstuffs, remained nearly unchanged (as of January).

The Italian economy's growth prospects for 1966 are determined by a further development of those trends that have been prevailing since the middle of last year. Consumption will increase compara-

tively vigorously in the private as well as the public sectors, and there should be an even somewhat more pronounced expansion of capital investments, particularly of enterprises, although the latter will still remain considerably below

their former top level of 1963. Damping influences, however, are to be expected from the development of the balance of trade. Economic policy will again place more emphasis on stability apart from the promotion of expansion.

## Raw Material Markets

### Uncertainty in the Cocoa Market

The upward trend in prices to be observed in the international cocoa markets since July 1965 did not continue most recently. Until the middle of January the prices had almost doubled within half a year—middle of July 1965 lowest post-war level with 11<sup>5</sup>/<sub>8</sub> c/lb loco Ghana. At present with 24<sup>7</sup>/<sub>8</sub> c/lb they are still somewhat above the level prevailing at the beginning of 1966 after in the middle of April their peak had been reached with 26<sup>1</sup>/<sub>4</sub> c/lb.

The present stagnancy of prices expresses a situation where bullish and bearish factors are about counterbalancing each other. The statistical situation in the cocoa market of the 1965/66 season would seem to indicate a continuing price increase. According to the most recent estimate of the FAO-Cocoa-Study-Group in 1965/66 the world cocoa crop will reach no more than 1.26 million tons and thus remain by 265,000 tons behind the previous year's yield. As against this the quantity of cocoa-beans to be ground in the calendar year of 1966 is supposed to amount to 1.41 million tons, i.e. 80,000 tons more than in the previous year. Thus there will be a production deficit of about 150,000 tons in the cocoa market, while during the preceding

season there had been still a production surplus of 295,000 tons. This reversal of the supply and demand situation is the basis of the very stable state of the market. On the other hand, the fact that at the end of the season cocoa supplies will still amount to 400,000 tons has depressive effects.

The uncertainty in the cocoa market will be even more enhanced by the fact that on 23rd May a second cocoa-conference will take place in New York. At the preparatory meetings the disagreements between producer and consumer countries on the establishment of fixed minimum and maximum prices and the financing of a buffer-pool have not yet been overcome and thus there is almost no chance for the conclusion of a new cocoa-agreement. There is one unanimous intention only, i.e. to fix basis-sales-quotas on which the calculation of the market shares of the individual export countries will be based. Prior to each crop year the annual sales quotas are to be fixed as a percentage of the basis quotas. Besides, 150,000 to 300,000 tons of cocoa are to be stored in a buffer-pool. In view of the large supplies the calling of a cocoa-conference without justified hopes for success appears to be a rather doubtful procedure.

Index Numbers of World Market Prices of Foodstuffs and Industrial Raw Materials

Index and commodity group	1965			1966			
	April	July	October	January	April	29. 4.	13. 5.
HWWA-Index 1 (1952—1956 = 100) ....	97.0	94.0	95.3	98.0	99.1	97.5	96.7
Foodstuffs .....	88.1	84.7	85.4	88.4	86.7	87.1	85.6
Raw materials other than foodstuffs ...	101.4	98.5	100.0	102.6	105.0	102.5	102.1
Fuels .....	96.1	95.3	95.5	95.6	95.7	95.7	95.7
Raw materials for consumer goods ..	90.0	90.5	91.9	91.6	96.0	96.3	96.4
Raw materials for capital goods .....	114.4	107.0	110.0	117.0	120.4	113.4	112.3
Reuter's Index (13. 9. 1931 = 100) .....	461.0	442.4	448.4	470.4	470.7	459.9	459.7
Moody's Index (31. 12. 1931 = 100) ....	373.1	387.3	385.9	412.4	395.7	391.1	395.9

<sup>1</sup> Index compiled by the Hamburg Institute for International Economics.