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for any length of time, centralised physical controls and administrative restrictions of foreign trade transactions have largely been dismantled. Thus, Yugoslavia demonstrates that even a socialist country may be able to achieve a high degree of decentralisation and elasticity in its external economic relations without being forced to abandon its notions of socialised property. All the difficulties which for many years have prevented the breakthrough to a flexible system of foreign trade were generated less by the peculiar social system of Yugoslavia rather than by the low level of Yugoslav economic development. Yugoslavia's difficulties are typical for any semi-industrialised country, which intends to stand up to competition by highly evolved national economies whilst, at the same time, striving for maximal economic and political in-

dependence. The economy of such countries cannot secure for itself a large share in the world's markets without higher productivity, but conversely, a larger volume of their foreign trade is a *sine qua non* for higher productivity and higher standards of their production. This difficulty can only be overcome by concentrating—as already stated—production on such goods which bring in the highest amount of foreign currency, in relation to production effort. Such type of production management can, under given circumstances, be achieved by the operation of market forces alone very slowly, and with great difficulty. For this reason, the State will have to continue its intervention in economic affairs through planning the direction in which the national economy is to develop, and the desired economic structure of the country.

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World Business Trends

Western Europe: Strong Rise of Consumer Expenditure

Private consumer expenditure in the individual West European countries reflects the present regional differentiation of the economic trend much less than do for instance capital expenditure or the net position on goods and services. First the different development—particularly the acceleration in Italy and France as well as the slowing down in the Federal Republic of Germany—is leading towards a close approximation of growth rates of private consumer expenditure at 7 to 8 % as expected for 1966 in most countries. The most important exception is Britain where in the current year and after the measures taken recently the growth rate should hardly be higher than 5 %. The whole of Western Europe will thus experience a slight slowing down of the nominal increase in consumption.

In the first half of 1966 the differences have obviously been still greater. This is indicated anyway by the available data of retail trade turnovers. True, only part—although a major one—of private consumer expenditure (in Federal Germany e.g. about 50 %) fall to the share of this sector and, moreover, in some countries only various groups of retail shops are recorded statistically. During the first four to five months of 1966,

according to data available, consumer expenditure in this field rose most in Federal Germany, Italy and Austria (+8 to +9 %, comparison with the previous year). Smaller was the increase in Switzerland, Britain and France (+5 to +6 %) while in the latter an acceleration of growth could be observed in the course of spring.

The tendencies of West European private consumer expenditure are being governed above all by the differentiated development of mass incomes. In Italy and France the economic recovery is effecting a normalisation of working hours and also gradually increasing the numbers of persons employed. Vice versa in the Federal Republic of Germany the fall in the rate of expansion has started to brake the increase in wages and salaries already at the end of 1965, while, on the other hand, in Britain up to the recent restrictive measures the contraction of growth had no influence on earned incomes. In future, incomes from wages and salaries should more clearly reflect the differentiated cyclical tensions in Western Europe. Corresponding tendencies in the incomes of the selfemployed will have similar effects on private consumer expenditure.

In some countries the changes of the saving ratio played a con-

siderable role at least temporarily. Thus e.g. in the Federal Republic its decline had been decisive for the constantly strong expansion of private consumer expenditure during the first quarter of 1966. Also in France and Italy less had been saved, obviously in connection with stimulated purchases of high-grade consumer goods (cars). So far the declining propensity to save had been a reflection of optimistic expectations of income. On the other hand, in the Netherlands and in Belgium the rate of saving increased at the beginning of 1966, and that was a reaction to the surge of purchases preceding the tax increases at the end of 1965. In the meantime here a normalisation should have taken place.

The increase of private consumption expenditure by about 7 % in Western Europe in 1966 means a rise of real consumption by about 4 %. A slight decrease of the margin between nominal and real development results from the fact that in some major economies the upward trend in prices has obviously somewhat declined—besides Italy finally also in Federal Germany and Britain—while in a few smaller economies it has increased. Early this summer in the most important economies consumer prices were by 2 to 4 % above those in the previous year's corresponding period. In Belgium and Switzerland the rate of price increase has reached 5 % and in Spain, the Netherlands, Sweden,

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

Index and commodity group	1965		1966				
	July	October	January	April	July	29. 7.	12. 8.
HWWA-Index 1 (1952—1956 = 100)	94.0	95.3	98.0	99.1	95.8	94.6	94.2
Foodstuffs	84.7	85.4	88.4	86.7	85.6	84.9	85.9
Raw materials other than foodstuffs ...	98.5	100.0	102.6	105.0	100.8	99.3	98.3
Fuels	95.3	95.5	95.6	95.7	95.7	95.7	95.4
Raw materials for consumer goods ..	90.5	91.9	91.6	96.0	95.9	95.4	95.2
Raw materials for capital goods	107.0	110.0	117.0	120.4	109.6	106.1	103.5
Reuter's Index (Sep. 18, 1931 = 100) ...	442.4	448.4	470.4	470.7	462.9	455.3	448.8
Moody's Index (Dec. 31, 1931 = 100) ...	387.3	385.9	412.4	395.7	407.9	409.4	397.2

¹ Index compiled by the Hamburg Institute for International Economics.

and Denmark between 6 and 8% even.

In Britain, Switzerland, the Netherlands, and Belgium the price increases of foodstuffs amounted to 5 to 7% within a year, in Sweden even more, while in Italy, France, and Federal Germany it was less than 3%. In most countries rents showed a continued and particularly high increase which in Federal Germany, France, Switzerland, Britain, and Sweden amounted to between 6 and 8%. Prices of industrially produced consumer goods rose least in Italy and France,

while in the other countries the price increase rates also of these goods were between 2 and 4%.

In many West European countries the intensity and duration of the upward price trend have caused misgivings that—quite independent of the cyclical factors—the longer-term trend effective towards price increases may have grown stronger. Therefore the economic restrictions have frequently been tightened. The recourse to problematic price stop measures is only emphasizing how seriously price development is being judged.

leases and further supplies from East-bloc countries.

If production is not disturbed by special influences (strikes, etc.) a continuing pressure on lead market prices has to be anticipated due to this statistical situation.

On the zinc market there is a similar situation. In 1966 the Western world's zinc consumption will probably increase by 200,000 lgt to a total of 3.47 million lgt and production is supposed to rise by 300,000 lgt to 3.37 million lgt. Thus the production deficit of 1965 would be halved to 100,000 lgt.

According to considerations of the UN Lead and Zinc Study Group the statistical zinc market situation in the Western world might be balanced this year if imports from the Eastern bloc do not change and the United States stop its stockpile sales. However, 100,000 tons of zinc are supposed to be still available from former releases and it has to be assumed that also in future the United States will attempt to reduce its zinc stocks. For recently in the United States the opinion is prevailing that even in the case of war domestic demand could be covered by domestic production along with imports from Canada and Mexico. For the future, depressed zinc prices have to be anticipated all the more since producer stocks have been considerably increased in connection with supporting purchases carried through in the meantime.

Raw Material Markets

Further Relaxation of the Lead and Zinc Markets

On the lead and zinc markets the downward pressure on prices is continuing. For several weeks zinc quotations are some times as much as 7% below the fixed producer price that was reduced to £102 lgt early in March. At the London Metal Exchange also lead quotations are below £100 lgt, a price which for a time producers had taken into consideration as fixed sales price. For both metals the further adjustment of production to current consumption is the most important cause of the pressure on prices. Together with American stockpile releases and higher sales from the Eastern bloc, supplies

this year therefore surpass the Western world's demand.

In 1965 the Western nations produced 2.62 million lgt while they consumed 2.74 million lgt of refined lead, so that there was still a production deficit of 120,000 lgt. In the current year the production deficit is supposed to decline to 70,000 lgt. Although consumption will rise at 3% somewhat more than in 1965, production will expand at 5% even stronger than up to now. However, this smaller production gap has to be contrasted with about 80,000 lgt of lead from American stockpile re-

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