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for timber, grain, petro-chemical products and, possibly, for iron ores, since with the new route the lop-sided dependence of the Ruhr upon the Benelux ports could be broken down, to the advantage of the ports at the mouth of the Elbe. This would mean that Hamburg would no longer be left in its present peripheral position.

It is not for us to say what quantities of goods will be transported by the new canal or when the new

canal will be able to assume a fully economic function. Detailed studies—which the author has collaborated—have already been made of these points. But the inclusion of the project in the plan to extend North West Germany's canal system points up the urgency of extending the communication network. This means that the competitiveness of the Port of Hamburg vis-à-vis the North-West European seaports will be greatly increased.

World Business Trends

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Investment in West Europe Increasing only Slowly

If the growth of the West European national product in the current year can be estimated at approx. 3,5% at constant prices according to the present data, this means a further slight decrease of the growth rate as compared with the previous year. Thus former expectations were disappointed, which were rather anticipating a slight acceleration. Regionally seen the decisive factor for this were the distinct retarding forces not expected in their strength in the Federal Republic of Germany and the United Kingdom. From another point of view, namely seen from expenditure, investment proves obviously to be a relatively weak point.

Granted, especially this aggregate shows particularly great deficiencies of short-term statistical registration in international comparison. But the present estimates make suppose that investments in West Europe will only increase to the same extent as the national product, that is by approx. 3,5% at constant prices—somewhat less than in the previous year. So the expansive forces expected because of a changing tendency in this field have not materialised. Here completely different single factors act together which are not only the result of the regional differentiation of the economic trend in West Europe, but also above all of the different motives for private and public investment.

Among the most important West European economies the two biggest, namely the Federal Republic of Germany and the United Kingdom, at present are marked by a strong decline of their investment activity. So in 1966 investment in the FR of Germany will grow less than half as rapidly as in the previous year. Here above all the decline is a result of the decreased investment propensity of entrepreneurs. This applies equally to the United Kingdom, where the total investment activity in 1966 will probably hardly exceed the last year's volume, although the corresponding expenses of public industries and services are still constantly growing.

With an estimated real growth of 5 and 4%, respectively, in France and Italy the increase of investments in the current year is greater. The expansion in this field in the two countries compared with the increases in total production, is still dull. But a detailed observation gives an explanation. Thus in France the acceleration of the investment growth in business enterprises, especially in private ones, is really remarkable. Simultaneously, however, housing has brought dampening influences. Similar tendencies are prevalent in Italy, where at the same time the annual result of public investment shows a downward tendency.

It is remarkable that the investment volume in Italy in the current year is still by 10% smaller than in 1963, whereas, the national product has risen by more than 11% since then; consequently the overall investment rate fell from more than 24% to 20% of national output. In industry alone the divergence between investment and production development is yet more distinct; at any rate, total equipment investments in 1966 are supposed to remain below the volume of 1963 by even more than 20%. On the one hand this shows how great the unutilised capacities of the Italian economy were at the beginning of the present expansion phase. On the other, profits and profit expectations—the latter perhaps due to anxieties concerning international policy—had been depressed so considerably that only a very effective improvement of the sales and profit situation may bring the investment propensity up to its former height.

According to the presently recognisable tendencies in the year to come the differentiation of investment activity in the most important West European economies will still increase. On the one hand investment in France and Italy is likely to increase by 7 to 8% in volume. Acceleration will start in the private field, where improved income expectations become effective, as well as in the public sector, where the urgency of the so-called

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

Index and commodity group	1965	1966					
	October	January	April	July	October	21. 10.	4. 11.
HWWA-Index 1 (1952—1956 = 100)	95.3	98.0	99.1	95.8	92.6	92.5	92.7
Foodstuffs	85.4	88.4	86.7	85.6	83.7	83.8	83.7
Raw materials other than foodstuffs	100.0	102.6	105.0	100.8	96.8	96.7	97.0
Fuels	95.5	95.6	95.7	95.7	95.5	95.5	95.6
Raw materials for consumer goods	91.9	91.6	96.0	95.9	91.2	91.2	91.1
Raw materials for capital goods	110.0	117.0	120.4	109.6	102.3	102.0	102.7
Reuter's Index (Sep. 18, 1931 = 100)	448.4	470.4	470.7	462.9	429.1	428.7	425.7
Moody's Index (Dec. 31, 1931 = 100)	385.9	412.4	395.7	407.9	371.1	368.5	367.8

¹ Index compiled by the Hamburg Institute for International Economics.

"social investments" has again partly overruled the cyclical considerations. In contrast to this investment in the FR of Germany may stagnate in 1967, and in the United Kingdom even a decline must be reckoned with.

The unfavourable development in the two biggest economies also affects the result for West Europe as a whole so much that for 1967 but an increase of the investment volume of less than 3% becomes

visible. A small rate like that was registered for the last time in 1958. At that time, however, this slowing down followed years of a considerably stronger investment growth, whereas at present already two "weak" years have preceded. So in West Europe the danger is growing that the potential is not sufficiently improved to allow a really stronger economic growth in future without an early emergence of tensions.

tinuously growing production is reckoned with; the same applies to Argentina and South Africa.

The unexpected decline in prices must probably be traced back essentially to the changed stock policy of the processing industry. The world-wide expensiveness of credits forces the buyers to refrain from expanding their stocks, although in future they must count on a bad supply situation and consequently rising prices. In many cases stocks are supposed to have been reduced in order to save higher financing costs. As a whole raw wool stocks in the most important consumer countries are assumed to be by 6% smaller than in the previous year, whereas consumption in these countries shows remarkable increases. So wool demand in the USA alone for the production of uniforms is steadily growing, but also in Japan and West Europe consumption is still increasing, also in connection with the latest advertising campaign of the International Wool Secretariat. Due to growing consumption the reduction of wool stocks is likely to come to an end in the wool processing industry so that buyers will have to give up their reluctance in demand. Then, in view of the only slight overproduction in this wool year, rising prices must be expected again.

Raw Material Markets

Strong Price Decline in the Wool Market

Before the opening of the Australian auctions in the new wool year 1966/67 higher wool prices were expected in general. Just before the end of the Australian selling season on July 14, prices for Merinowool had slightly gone up and reached again the top of the season of mid-June (64' wool-tops 123 d/lb). At the end of August just the contrary happened. Wool prices experienced a considerably strong fall, and the quality mentioned for instance reached 114 d/lb.

The expectations for rising wool prices were based on the statistical position of the wool market.

World wool production in the 1966/1967 season is estimated by the US Department of Agriculture at 3,250 million lbs (cleaned) (1965/1966: 3,245 million lbs). Consumption, however, is likely to grow much more, namely up to 3,350 million lbs (1965/66: 3,245 million lbs). This would bring a production deficit of 100 million lbs. The Australian wool production, which during the previous season had suffered a setback of 9%, will remain below previous year's result this wool year too. Also for Uruguay smaller yields are expected, whereas in New Zealand a con-

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