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industrial consumer goods cover about 5 % of the total consumption. If the variety on the inner market is to be appreciably increased, and at the same time is to call forth a certain competition in the home production, imports should probably cover at least 20 % of consumption. The exchange of consumer goods with other countries should grow several times.

Cooperations, and especially purchase and sale of licences and industrial know-how are insufficient and growing slowly in relation to both East and West. A substantial increase should enable a faster way to technical accomplishment, better use of raw materials,

etc., and so, in its turn, to create a wider field for exchange.

Foreign competition will give rise to an atmosphere of confrontation and competition for Czechoslovak goods in quality, costs, commercial adaptability, etc., which will influence technical and technological practices and also the distribution of income.

It may therefore be assumed that the above described measures in the field of foreign trade will exert a decisive influence on the further development of external economic relations as well as on the further development of the whole inner economy.

World Business Trends

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Industrial Production and Labour in Western Europe

The slowing down of West European economic growth in the past year found its expression above all in industrial production. Its increase—all countries, excluding construction—declined from about 4.5 % in 1965 to between 3 and 3.5 % in 1966. This was the smallest growth rate for eight years. The development during the past year reflected conspicuously the weight of contractive forces increasing since autumn. Up to the middle of the year the previous year's corresponding level had been again surpassed by 4.5 %. In the third quarter, however, the growth rate fell to 3.5 % and in the fourth one to only about 1 %. Considering the usual seasonal influences West European industrial production has even begun to decline slightly since late summer, 1966.

But this development was not representative of most West European economies, it reflected above all declining industrial production in the Federal Republic of Germany and Britain, which alone contribute more than half of total industrial production in Western Europe. In the fourth quarter of 1966 in both countries the previous year's corresponding level was not reached anymore. On the other hand, industrial production in Italy simultaneously increased by almost 11 %

and in France—in spite of a certain slowing down—growth reached 5 % still. The same rate applies to the Netherlands, Norway and Austria.

However diverse production developments were in the West European economies, common to most of them was a decrease of the number of persons employed in industry. This applied not only to the Federal Republic and Britain, but also to Sweden, Denmark, the Netherlands, Austria, and Switzerland. At mainly 2 to 5 % according to the latest available position in each case, the dimension of these cuts was very considerable. The number of employed persons rose but slightly in the French industry, and only in Italy and Norway an increase worth mentioning came about. Industry's mostly restrictive employment policy has different reasons, but surely a cautious opinion on future production developments plays a major part.

Always when industry is reducing its efforts for hiring new labour, other economic sectors, which previously did not succeed due to their smaller attraction can better cover their demand for manpower. However, in an increasing number of West European countries for some time such reallocations did not suffice anymore to prevent an increase of unemployment (ad-

justed for seasonal variation). Here the Federal Republic of Germany and Britain have been the outstanding examples, but France, Belgium, the Netherlands and Sweden were showing a similar tendency—although differing in impetus. In Italy finally the reduction of unemployment continued but slowly hitherto, in spite of the vigorous expansion. Altogether the West European labour market—that for years had been strained to excess almost chronically—is thus marked by relaxation.

Labour market conditions in numerous countries during the last months were thus characterised by a coincidence of cyclical and seasonal factors tending to slow down activity, and the unemployment ratios frequently surpassed 3 %. This, however, does not yet mean the loss of full employment, for excluding seasonal variations the unemployment ratios mainly remained between 1 % and 2 %. Among the European industrial countries—as in the last years—only Belgium, Italy and Austria surpassed these figures. This approach reveals the true dimension of a higher unemployment rate of scarcely 2 % in the Federal Republic and Britain, although here the seasonal cumulation is a warning of the problems to be expected from a continuous recession.

A consideration of seasonal influences is also necessary if the

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

Index and commodity group	1966				1967		
	Feb.	May	Aug.	Nov.	Feb.	March 3	March 17
HWWA-Index ¹ (1952—1956 = 100)	98.8	96.9	93.5	92.4	92.6	92.2	91.9
Foodstuffs	86.9	85.3	85.1	83.8	85.0	84.1	84.2
Raw materials other than foodstuffs ...	104.6	102.5	97.6	96.5	96.3	96.1	95.6
Fuels	95.6	95.5	95.4	95.6	95.2	95.1	95.1
Raw materials for consumer goods ..	92.7	96.3	95.2	91.2	92.6	92.6	91.9
Raw materials for capital goods	121.6	113.8	101.8	101.5	99.9	99.4	98.5
Reuter's Index (18. 9. 1931 = 100)	472.0	463.3	443.0	425.3	432.5	429.1	424.6
Moody's Index (31. 12. 1931 = 100)	414.5	397.4	394.3	369.0	369.1	366.9	367.4

¹ Index compiled by the Hamburg Institute for International Economics.

drop in vacancies is to be regarded as another piece of evidence. But even so the continuing decline in vacancies is to be clearly observed in the Federal Republic of Germany, Britain, the Netherlands, Sweden, and—though not so marked—in Belgium. In France the slightly increasing number of vacancies seems to point at bottlenecks in individual occupations. With few exceptions fewer vacancies than unemployed persons have been registered in Western Europe in the last months.

Although relaxation in West European labour markets hitherto was very limited only, it could already be noticed that from this side pressure is quickly brought to bear on political authorities, wanting them to make employment the yardstick for stabilisation. Besides, the realisation of medium-term growth targets is presupposing anyway the best possible utilisation of labour force supply. Therefore the West European labour markets will—in the long run—continue to be characterised by a lack of manpower.

processing countries wool consumption clearly decreased by 9 % between the third and fourth quarter of 1966. Besides, in Great Britain, the biggest wool consumer, and in some West European countries the expensive stock financing led to an advanced reduction of stocks, so that here demand decreased even more strongly than consumption.

In general, for the first half of 1967 the most important processing countries are expecting a consumption growth which in view of the slowed down cyclical upswing in the Western industrial countries will be very small. Nevertheless a distinct revival of demand for wool can be expected, because stocks of processors temporarily were reduced to a minimum, so that total demand for current production has to be met now by purchases in the market.

The expected firm trend of wool prices will hardly include all wool qualities. The competition of synthetic fibres is hampering an increase in the consumption of several wool types, above all since in Britain nylon prices have been reduced. Mainly lower-grade wools and the New Zealand crossbreds are affected by this, whereas the Australian merino wools, of which chiefly high-grade worsteds are made, are still finding a good market.

Raw Material Markets

Demand Stimulation in the Wool Market Visible

Contrary to initial expectations wool prices decreased almost constantly during the season 1966/67. So e.g. at present prices for 64' Wooltops in Bradford with 113 d/lb were 9 % below the level at the beginning of the season. In New Zealand the state-owned Wool Commission is buying considerable quantities of wool offered on auctions, and in Australia in early 1967 merino prices were on the lowest level of the current season. Meanwhile Australian wool prices have recovered slightly due to reviving demand.

The general price weakness has consolidated, although this season

the raw wool supply was below that of the past season. Admittedly, with 3,297 million lbs (cleaned) the production in 1966/67 is likely to lie 1 % above the wool clip in 1965/66, but with 99 million lbs at the beginning of the current season stocks were 37 % smaller than the preceding year. In total, supply in 1966/67 will amount to 3,396 million lbs as against 3,428 million lbs in the season 1965/66.

The weak position of the wool market must be traced back above all to the temporary decrease in wool consumption. In 1966 overall consumption grew by 3 %, but in seven of the most important wool

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