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Slow growth of private consumption in West Europe

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represents this mysterious boon—national utility. Emotions will replace reason in this field. Nobody, neither a person nor a Government nor the administration of a State, is free of emotions and of actions based on emotions. Reason should teach everybody to reduce the decisions made for sentimental reasons, or

because of resentment, which frequently prevail today, to a reasonable minimum. To lead to this type of reform, operational profitability of shipping concerns will be a much surer guide than "national utility" of a national shipping entity, which lives on deficit spending.

World Business Trends

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Slower Growth of Private Consumption in West Europe

The cyclical downward tendency of expansionary forces in most West European countries has noticeably taken hold of private consumption, too. In 1967 the total of West European consumer expenditure should still rise by 5 % at most, after it increased by 7 to 8 % in each of the two preceding years. Simultaneously, however, the upward trend of prices slackened noticeably and thus the quantitative increase of private consumption slowed down less, and after 3.5 % in the previous year it is to be estimated at an ample 2 %. But in view of the growing population this implies that in Western Europe the living standard—measured by the per capita consumption in terms of real value—will in the aggregate rise by little more than 1 % in the current year.

These average values, it is true, hide big differences between the individual national economies. Although for some time already the sluggish tendencies of private consumer expenditure interpenetrated the majority of West European countries, the total result of 1967 is in part considerably determined still by the preceding major expansion of demand. In Britain alone, where in 1967 expenditure on consumption is growing merely by about 3 %, and in the Federal Republic of Germany, where the increase is smaller even, the retarding influences had decisive effects for a longer period already. In most of the other West European countries private households, on

an annual average of 1967, will increase their expenditure by 6 to 7 % vis-à-vis 1966. Italy and Norway, whose economies continue expanding vigorously, with an increase by 8 to 9 % should hold a top position also in this connection.

The differentiated development of private consumer expenditure is reflected in particular by the retail turnovers in individual countries. Although statistical registration in this field is showing big differences, it is significant that from January to May, 1967, in the Federal Republic no more than the turnovers of the previous year's corresponding period have been reached, and in Britain they have been surpassed by a mere 2 %. By quantities this meant a slight decline in both countries. On the other hand, Italy and Norway also in this sphere are showing the most rapid expansion with turnover increases of 8 % and 10 %, respectively (first quarter only). It is rather conspicuous that in many countries the retail turnovers are obviously increasing at a smaller rate than total consumer expenditure. This should be an indirect reflection of the growing weight of expenditure on services which in part is a result of their above average advance in prices, e.g. rents and leases.

At present motor vehicle purchases of private households prove to be particularly sensitive. Thus from January to May, 1967, the number of registrations of new motor-cars was smaller by almost

18 % in the Federal Republic—in Britain by 16 %—than it had been a year ago. Just the other way round Italy registered an increase by 24 % and Norway one by 10 % (until April). In France, on the other hand, a growth rate of a mere 4 % (until April) is already indicating a slackening of the expansion in demand. Apart from fiscal influences the development of motor-car purchases is reflecting very clearly the private households' expectations of incomes, if only because purchases financed with credits are fixing high expenses for a longer period.

In many countries the growth of mass incomes has been considerably smaller in the first half of 1967 than it had been in 1966. Thus industrial wage increases partially slowed down considerably. While in the past year government intervention still played an important role, in the meantime the progress of the sluggish business trend and its repercussions on the labour market have decisive effects. According to the latest available figures the standard hourly wages surpass by only 3 % in Britain, by 4 % in the Federal Republic, and by 5 % in the Netherlands the previous year's corresponding level. In Switzerland, France and Italy the wage increase by about 6 % is not much higher. Although the other, smaller national economies in part are still showing considerably more pronounced wage increases, Western Europe as a whole has only a relatively moderate raise. However, the mass incomes are much more differentiated. This is a result above all of the differing development of

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

| Index and commodity group | 1966 | | | 1967 | | | |
|--|-------|-----------|----------|-------|-------|---------|---------|
| | June | September | December | March | June | June 30 | July 14 |
| HWWA-Index ¹ (1952-1956 = 100) | 96.2 | 92.5 | 92.4 | 91.9 | 92.2 | 90.9 | 90.9 |
| Foodstuffs | 84.3 | 84.2 | 84.5 | 84.0 | 86.8 | 83.8 | 84.1 |
| Raw materials other than foodstuffs ... | 102.0 | 96.4 | 96.1 | 95.7 | 94.8 | 94.3 | 94.1 |
| Fuels | 95.7 | 95.4 | 95.2 | 95.1 | 95.1 | 95.1 | 95.1 |
| Raw materials for consumer goods .. | 96.2 | 93.8 | 92.4 | 92.1 | 91.7 | 91.1 | 90.9 |
| Raw materials for capital goods | 112.7 | 99.6 | 99.6 | 98.8 | 96.6 | 95.7 | 95.3 |
| Reuter's Index (18. 9. 1931 = 100) | 463.1 | 428.9 | 423.6 | 425.8 | 445.2 | 434.6 | 429.8 |
| Moody's Index (31. 12. 1931 = 100) | 402.8 | 382.7 | 374.4 | 366.2 | 373.8 | 370.3 | 369.1 |

¹ Index compiled by the Hamburg Institute for International Economics.

employment, which particularly in West Germany and Britain is declining, while in Italy it is expanding vigorously.

The increase of the average West European living standard will slow down in 1967 as the fourth year in succession. In this connection a comparison within the scope of the world economy is revealing. While in the early sixties the West European per capita consumption in terms of real value

increased considerably faster than in the United States, from 1964 to 1966 an annual growth by scarcely 3 % in Western Europe was to be compared with an increase by 4 % in the USA. In the aggregate the advantage of the USA has hardly decreased also relatively. This shows that the rise in the standard of living is not limited by an imaginary degree of saturation, but is decisively determined by economic policy.

stances the forecast of the International Rubber Study Group expecting rubber consumption to increase by approx. 3 % to 2.580 million lgt in 1967 has to be regarded cautiously. For hitherto there are no signs of a revival in the motorcar business.

But even if world consumption—as is expected—should increase, in 1967 nearly a balancing between consumption and production must be reckoned on. Due to rubber cultivation being encouraged by many producer countries, in 1967 an increase of world production by not less than 7 % to approx. 2.565 million lgt is calculated on. Together with the stockpile releases reduced to 70,000 lgt the total offer in 1967 would thus exceed consumption with 55,000 lgt much more even than in the previous year.

In view of the—seen as a whole—steady tendency towards oversupply in the rubber market prices should consequently fall again during the year. But the delay in deliveries as an impact of the blockade of the Suez Canal for the time being should have a price supporting influence. Perhaps processors will temporarily be stimulated to effect provident purchases, particularly as during the last few months they have kept their stocks as small as possible.

Raw Material Markets

Rubber Prices Relatively Stable

After the end of the war in the Near East prices in the international rubber markets did not—like most other commodity prices—fall to that low level registered before the outbreak of the crisis. This relatively stable price tendency is mainly a result of the fact that at the London Exchange rubber for immediate supply has become short, because of rubber deliveries from Malaysia being delayed due to the blockade of the Suez Canal. Moreover, the US stockpile authorities recently decided to reduce their rubber releases drastically. In comparison with the previous year rubber is, however, still today—in spite of the noticeable recovery—quoted at considerably

lower prices, as the supply and demand ratio had a steadily growing unfavourable effect for the processors until the outbreak of the crisis.

Granted, as against 1965 the consumption of natural rubber increased by 5.8 % to 2.510 million lgt in 1966, but during the year the consumption growth decreased constantly. The dull production in the Western motor-car industries and the beginning reduction of rubber stocks on the processors' side finally effected a stagnation and since autumn 1966 a decline of supply. World consumption e.g. in January/February this year was about 4.7 % below the previous year's level. Under these circum-

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