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today includes practically all countries of any interest to Austrian exporters. It is the task of these foreign trade posts to prepare the ground for Austrian exporters, to assist them in the initiation and the winding up of their transactions, to help them find

representatives, etc. Besides, however, they have trade policy functions by preparing contract negotiations, etc. This foreign trade system is financed through a percental contribution collected by the customs authorities when the goods are exported.

World Business Trends

***Department for Business Trends Research,
The Hamburg Institute for International Economics***

United States: The Recession Is Over

The speed of economic growth in the United States has again accelerated during the past months. This is above all a result of the decline of contractive influences originating from decreasing investments in stock. Moreover, private households increased their expenditure in motor cars and other consumer durables. After an interruption for more than one year private expenditure on housing is expanding faster than before. As against this capital expenditure of private enterprises started but hesitatively in spite of the Federal Government's fiscal promotion measures. Government expenditure should, however, rise vigorously again after a temporary slowing down in the second quarter of 1967. Foreign trade is marked by a declining growth of imports and moderately rising exports.

In the second quarter the increase of public expenditure on goods and services has somewhat slowed down, as the military authorities intended to keep their expenditure as low as possible toward the end of the fiscal year of 1966/67. However, in the new fiscal year of 1967/68 a considerable increase of military expenditure on the war in Vietnam has to be anticipated. Government expenditure will therefore continue to form the most important stimulant to economic growth, all the more since the Federal expenses for civilian purposes and expenditure of the Federal states and local authorities should increase as strongly as ever. But the expansive forces originating from increased

expenditure will in part be balanced by tax increases. These are necessary, if the budgetary deficit is to be limited at least somewhat.

To begin with the government measures for cyclical stimulation could not strengthen the private economy's propensity to invest as much as had been anticipated. Finally, in June, 1967, the utilisation of capacities in the manufacturing industries had decreased to 82.5 per cent, and the profits of enterprises dropped steadily. Recently, however, orders in mechanical engineering have risen noticeably. Besides orders for the construction of new factories and other industrial buildings experienced a vigorous boom. Therefore the investment increase of 3 per cent as planned by the entrepreneurs for the second half of 1967 will even be surpassed. If, however, the 10 per cent increase of the corporation tax should be actually introduced retroactively, investment activities would be slowed down.

In the second quarter of 1967 private households vigorously expanded their expenses for goods and services together with increasing incomes. Above all purchases of motor cars showed a brisk trend. The rate of saving, however, at about 7 per cent is relatively high still, and the preparedness for indebtedness—as measured by the low increase of instalment credits—is very weak. Together with an accelerated growth of incomes the private consumers should be more inclined to decrease their saving ratio and to catch up with their

pent-up demand for durable consumer goods. But an increase of the income tax would restrain this process.

The further rise of the wholesale price index is to be traced back to farming products. The upward price trend of industrial manufactures has slackened for the time being. In June, 1967, consumer prices were 2.7 per cent above the previous year's level. The risk of more pronounced price increases as a result of wage increases is a very great one in future. Recently wage supplements and increases of social insurance benefits of up to 6 per cent annually have been agreed on. In view of demand expanding more strongly again, the entrepreneurs will try at least partially to pass on wage increases to the consumers via prices.

In the first quarter of 1967 the balance of payments deficit with \$ 2,200 million—adjusted for seasonal variation—is noticeably higher than it had been in the fourth quarter of 1966. This is substantiating the apprehension that this year the balance of payments problem will grow even worse. Increasing foreign exchange costs of the war in Vietnam are among the most important causes of this development. The balance of payments deficit would have been even worse, if foreign trade in goods had not brought higher surpluses than in the preceding year. But in the next months this development will hardly continue. The stimulation of domestic demand will oppose a further slowing down of imports, and an increase of exports is possible to a limited extent only, due to the

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

Index and commodity group	1966		1967				
	July	October	January	April	July	July 28	August 11
HWHA-Index ¹ (1952-1956 = 100)	95.8	92.8	92.3	91.8	90.9	90.8	90.3
Foodstuffs	85.6	83.7	83.7	86.0	83.9	83.6	83.2
Raw materials other than foodstuffs ...	100.8	96.8	96.4	94.5	94.2	94.3	93.7
Fuels	95.7	95.5	95.2	95.0	95.1	95.1	95.2
Raw materials for consumer goods ..	95.9	91.2	92.5	91.6	90.7	90.4	89.8
Raw materials for capital goods	109.6	102.3	100.2	96.1	95.8	96.1	94.9
Reuter's Index (18. 9. 1931 = 100)	462.9	429.1	425.6	429.8	428.3	426.7	419.2
Moody's Index (31. 12. 1931 = 100)	407.9	371.1	370.7	380.5	372.6	374.7	366.6

¹ Index compiled by the Hamburg Institute for International Economics.

unfavourable business trends in the most important purchasing countries.

In the next months the economic development in the United States will be marked by competing claims of public authorities and private enterprise to productive capacities. For one thing, the increase of military expenditure will show its full impact, and, for another, the demand of private households and enterprises should

rise at an accelerated pace, last but not least due to stimulating measures taken a short while ago. This, however, increases the risk of an overexploitation of production factors, promoting considerably the tendency toward rising prices and a further deterioration of the balance of payments. Therefore the Administration is endeavouring to carry through as rapidly as possible its proposed tax increases.

siderably. Moreover, the New Zealand Wool Commission had to buy 573,000 bales, i.e. 55 per cent of total wool supply, between July 1966 and May 1967. This stock naturally depresses prices.

The revival in wool consumption during the first months of 1967, to be noticed above all in Britain, will for the time being make only slow progress, as hitherto in important consumer countries measures to promote business had only meagre success. A slight increase in demand is, however, likely, because processors will presumably soon begin to fill their dwindled wool stocks again. But a stronger rise in wool prices is not very probable for the season 1967/68 in view of wool production being presumably by 2 per cent higher. Producers are hardly interested in wool prices being "too high", as thus competitiveness of wool vis-à-vis the cheap synthetic fibres would decrease.

Continuously depressed prices for crossbred wool less in demand must be reckoned with. In order to raise its sales, the International Wool Secretariat planned special advertising measures. The use of crossbred wool is to be promoted particularly for carpets and upholsterings. Finally a decline of the minimum price is not quite impossible in New Zealand.

Raw Material Markets

Decline in Wool Prices

During the wool season (1966/67) that elapsed at the end of June, prices in the international raw wool markets have noticeably fallen. Granted, the Middle East war led to a slight price advance, because after the blockade of the Suez Canal a temporary delay in supplies of Australian Merino wool was expected in Western Europe. But meanwhile quotations have continued to recede. At the end of July 1967, for instance in Bradford, for 64' wooltops they were about 9 per cent and for 56' crossbreds even about 14 per cent below the previous year's level.

Due to the slack business trend in many Western industrialised countries wool consumption de-

clined considerably in the second half of 1966. Additionally, stocks in the consumer countries were reduced, so that demand for wool decreased strongly, although according to the latest estimates in the season 1966/67 consumption with 3,350 million lb—cleaned wool—was higher than production amounting to 3,343 million lb. The supply-demand ratio for the two most important wool types showed a differing development. As already visible from the smaller price decline, the Australian Merino types could be sold much better than the crossbreds of minor quality mainly coming from New Zealand. New Zealand proceeds from wool exports diminished con-

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