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World industrial production in 1968

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WORLD BUSINESS TRENDS

World Industrial Production in 1968

The increase in business activity of the world economy during the last year imprinted itself most of all in the development of industrial production. Its volume (without building production) in the Western industrial nations rose in 1968 by about 6.5 p.c., after having risen in 1967 by only 2.5 p.c. The rates of growth of the years before the last damping were herewith nearly reached. The acceleration resulted from the more favourable development in North America as well as in Western Europe, although Japan achieved as usual by far the strongest expansion of production. After elimination of the usual seasonal influences it showed that the world industrial production still expanded relatively slowly—also under the influence of special factors—during the first half-year of 1968; but in the second half-year of 1968 the expansion was all the more rapid.

Particularly the development in Western Europe was reflected

in this rhythm of production. Apart from the consequences of the French strike, the economic buoyancies were also considerably stronger after the middle of the year. The strongest impulses came from the Federal Republic of Germany already since autumn 1967; its industrial production (without construction) rose by more than 12 p.c. (1967: -2.2 p.c.). The increase in nearly all the other countries was considerably lower, showing minor differences only between the most important economies. The industrial production rose by 3.5 to 5.5 p.c. in France, Great Britain and Italy. The growth of production in the smaller economies remained also in this order. All in all, the industrial production grew in 1968 by about 7 p.c. in Western Europe.

USA: Restrictions without Effect

The acceleration of the overall economic growth was stronger in the USA than in Western Europe from 1967 until 1968.

This was however not valid for the industrial production. Its increase in the USA remained with 4.5 p.c.—after 1.2 p.c. for the year 1967—even somewhat behind the one of the GNP in real values. Decisive for this was the trivial increase in the production of investment and defense goods (+2 p.c.), in which the unfavourable development until past the middle of the year found its precipitation. As against this, the production of consumer goods (+5.5 p.c.) and raw materials (+5 p.c.) increased strongly, specially during the first half-year.

Japan at the Top

During the last year, Japan experienced—compared with other national economies—only a slight slow-down in its exorbitantly rapid economic growth. The industrial production rose again by about 17 p.c.—after +19 p.c. in 1967—, and expanded therefore in a period of three years by nearly 60 p.c. The semblance of a damping in business activity that showed at the beginning of 1968 has rapidly vanished again. The rapid increase of the foreign demand (exports 1968: +24 p.c.) contributed specially to this. A considerable differentiation within

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

Index and commodity group	1968				1969		
	February	May	August	November	February	Feb. 28	March 14
HWWA-Index¹ (1952–1956 = 100)	99.6	95.0	94.3	96.9	99.1	99.5	100.0
Foodstuffs	91.8	90.8	86.5	91.5	93.2	94.5	94.2
Raw materials other than foodstuffs ...	103.4	97.1	98.1	99.5	101.9	102.0	102.8
Fuels	96.4	96.0	96.5	96.7	96.7	96.7	96.7
Raw materials for consumer goods ..	92.7	92.4	93.5	94.8	91.6	92.0	91.7
Raw materials for capital goods	117.6	101.3	102.8	105.4	114.1	114.1	116.7
Reuter's Index (18. 9. 1931 = 100)	510.9	488.9	479.9	504.1	521.7	521.6	525.5
Moody's Index (31. 12. 1931 = 100)	361.8	364.6	357.7	365.5	376.5	378.2	377.1

¹ Index compiled by the Hamburg Institute for International Economics.

the industry was registered also in Japan. The increase of production of durable consumer goods (+31 p.c.) and investment goods (+25 p.c.) went far beyond the average.

1969: Continuous Rise of Production

The present prospects for the cyclical development of the world economy allow to expect that the industrial production of the Western industrial nations will, in a yearly average, again increase in 1969 by approximately the same rate than dur-

ing the past year. This is valid even though the extraordinarily rapid pace of expansion during the last months before the turning of the year will not be kept up, already due to capacity reasons. With credit policy measures intensifying the restrictions, retarding forces on the demand side will become effective mainly in the USA during the next year. But the endangering of the targets of the stability policy could also induce measures in the leading countries of Western Europe to damp the demand.

which means 150,000 t. But this prognosis takes for granted that the East-bloc countries in 1969 will register an export surplus, although, for a longer time, their lead imports from the Western world have exceeded exports. Moreover, probably—as in the past years—the forecasted production expansion will hardly be achieved. Otherwise, producers could take lead from the market, so that the pressure on lead prices—at least during the months to come—will be very limited.

Zinc production in 1968—increased by 10 p.c. to 3.6 mn t—did not suffice to meet demand in the Western world, which had even risen to 3.8 mn t. Apart from imports from the East-bloc countries and small stockpile purchases the supply gap was closed by the reduction of stocks in the producer countries.

For 1969, zinc production, too, is anticipated to increase vigorously. In contrast, zinc consumption should, however, grow only slowly due to cyclical influences. In case net zinc imports from East-bloc countries should remain the same, supply of this metal in the Western world will in 1969 surpass demand by 4 p.c. And also zinc producers will presumably try to weaken the pressure on prices by means of backings.

Raw Material Markets

1969: Supply Surpluses in Lead and Zinc Expected

During the last months lead prices in the world markets have still risen somewhat, whilst zinc prices could not keep the relatively high level they had reached at the end of 1968. At the London Metal Exchange, the cash price for lead lies at present with 109 £/lgt by approx. 12 p.c. and that for zinc with 113 £/lgt by approx. 3 p.c. above the level one year ago. The forward quotations of the two metals are somewhat higher than prices for promptly available commodities.

In 1968, the expected surplus in lead production in the Western world had not occurred, because wearisome strikes in the USA and in Australia had brought about interruptions in production. Nevertheless, lead

production increased by 150,000 t to 2.92 mn t, so that—with an equally strong expansion in consumption to 2.88 mn t in the Western world—the result was a statistical production deficit of only 30,000 t. This deficit was mainly covered by lead purchases out of the strategic reserves of the USA.

For 1969, the International Study Group for Lead and Zinc expects again a strong expansion of lead production, due to the new production capacities being under construction. As simultaneously consumption is supposed not to increase as vigorously in 1969 as in the previous year, the Study Group assumes that the lead supply will surpass demand in the Western world by roughly 5 p.c.,

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