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WORLD BUSINESS TRENDS

Western Europe: GNP-Increase by 6 p.c.

For 1969 in Western Europe neither the occasionally very distinct uncertainties in international payments nor economic and especially credit policies which have become increasingly restrictive have been able to put brakes on the strong cyclical upswing. Thus for 1969 altogether, GNP for this area will increase by about 6 p.c., measured in real terms, after an increase of already 5 p.c. in 1968. The booming demand in Western European economies—only Great Britain is a considerable exception to the rule, registering a very weak expansion—also results from the development of foreign trade. So for the time between January to July 1969 intra-European trade (imports) excelled its corresponding pre-year's level by more than 22 p.c.

Trade Expansion Promotes Productivity

Certainly, this intensification of the international division of labour—outside supplies rose at

the same time “only” by 12 p.c.—delineates indirectly one of the reasons for the unexpectedly high elasticity of supply of the Western European economy. For, decisive for the strong increase in production was the strong increase in labour productivity. An intensification of international goods exchange may contribute to this in a two-fold respect: For one thing, not sufficiently used resources profit faster from demand impulses in other countries, for another specialisation of the individual producing units in more productive and cost-effective manufactures should also be promoted beyond national borders.

More Employment in Industry

Just because of the so to say structural labour-shortage in most Western European industrial countries productivity increases are regarded as important for the growth margin. Furthermore, however, enterprises in almost all countries have made efforts to get ad-

ditional labour. This applies especially to industry as the economic sector most sensitive to cyclical trends. Here during the summer months the number of workers and employees in France, Italy and Norway was about 2 p.c., in the Federal Republic of Germany, Denmark and Austria even 4 to 6 p.c. higher than last year. A small increase was also still registered in Great Britain and Sweden. The partly considerable additional employment in industry often was at the expense of other sectors. This change in employment structure usually also increases productivity.

A general hint at growing tensions in the labour markets is given by the development of the number of free jobs. The increase here for 1969 until the beginning of autumn has been stronger than to be expected at that season in almost all countries, which give such data; this applies to the Federal Republic of Germany, Belgium, France, the Netherlands, Norway, Austria, Sweden, and Switzerland. Only in Great Britain the decrease proves the cyclical downturn in that country.

Most Western European economies—Great Britain is the most

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

Index and commodity group	1968		1969				
	October	January	April	July	October	Nov. 14	Nov. 28
HWWA-Index ¹ (1952–1956 = 100)	95.2	98.7	101.1	104.0	106.7	108.3	108.4
Foodstuffs	87.9	93.3	93.9	96.4	97.3	99.5	99.4
Raw materials other than foodstuffs ..	98.7	101.4	104.5	103.5	111.2	112.6	112.7
Fuels	96.6	96.7	96.3	95.8	96.5	96.8	96.8
Raw materials for consumer goods ..	94.5	93.5	91.6	92.2	93.6	94.7	93.6
Raw materials for capital goods	103.8	111.4	121.6	132.3	138.2	140.9	141.9
Reuter's Index (18. 9. 1931 = 100)	489.2	519.8	528.5	531.1	541.5	555.6	552.0
Moody's Index (31. 12. 1931 = 100)	350.5	373.5	379.4	396.7	408.9	413.3	413.7

¹ Index compiled by the Hamburg Institute for International Economics.

important exception to the rule —are reaching the ceiling of their growth margin after extensively exhausting their immediately disposable reserves of unused resources. Even if one already sees signs of a slowing down demand increase in certain sectors, economic policy is now confronted in the boom's late phase with its biggest task. Not at all is it a

question alone of finding solutions to primarily economic problems but also of easing social tensions. The uncertainty on this subject has great weight especially in Italy and France. Prospects of growth in these two countries will be considerably impaired, if major labour conflicts must be anticipated for the future.

per productive capacities in the Western world have been expanded by about 6 p.c. and according to estimates of the "American Metal Market" should increase once more by about 10 p.c. in 1970. Therefore, the production of copper could be considerably expanded in 1970.

On the other hand, determined by the trend of economic activity, copper consumption will in 1970 increase at a lower rate than up to now. During the last few months in the USA the industrial production has already been declining, and in the industrial nations of Western Europe the increase in business activity is being damped by the shortage in resources. Therefore, it is possible that in the Western world production and consumption (including net export into the Eastern bloc countries) will keep in balance during 1970. A quick decline in prices is not to be expected in the near future, since the copper stocks have been reduced in the majority of the countries due to the frequent losses of production, so that a continuous supply will only be possible after a replenishing of stocks has taken place.

Raw Material Markets

Recurrent Vigorous Rise in Copper Prices

The fall in copper prices observed since August, 1969, has no longer continued during the last weeks. The insufficient supply of copper has rather led again to a strong rise in quotations. The cash price for copper at the London Metal Exchange has reached with 708 £/t a new annual peak level and with that surpasses by about 47 p.c. the previous year's level.

The shortage of supply in the international copper markets has been perceived first in the USA. The North American copper producers could scarcely cover the native processors' demand and increased their prices. Moreover, for keeping their contracts for delivery to Western Europe, they had to increasingly buy copper in London. In ad-

dition, the rise of prices has been promoted by the apprehension that on a conference in Lima the four largest exporting countries discussed measures to stabilise the copper prices at the highest possible level. Under these circumstances the restraining effect on the trend of prices, which has been expected from the ending of the strike in the Canadian nickel companies, which produce copper, too, and the labour strike at General Electric, the largest American copper user, was kept in narrow limits.

If no extraordinary interference with production and delivery occur, there could be in fact in 1970 an improvement in supply and demand conditions in the world copper markets, in favour of consumers. In 1969 the cop-

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