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Worldwide vigorous price increase

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WORLD BUSINESS TRENDS

Worldwide Vigorous Price Increase

In 1969, the nominal Gross National Product of the OECD-countries (Western Europe, North America and Japan) increased by approx. 10 p.c. Almost half of this was, however, the result of price rises. The price index of the total GNP, which already in 1968 had extraordinarily augmented with nearly 4 p.c., in 1969 showed with almost 5 p.c. the biggest jump since the Korea boom. The acceleration of the price rise covered North America and Japan as well as Western Europe. True, the worldwide wave of high prices reflected only partly a high draft on resources, above all in Japan and on the Continent. But it forced all countries to bring their economic policies on an intensified restrictive course. As far as this was not already done with regard to internal stability ideas, reasons of foreign trade were decisive for this measure.

Producers' and Consumer Prices Increased

But by the end of 1969, hardly any weakening of the ten-

dency of prices to rise could be noticed, on the contrary: in many cases—apart from special movements in the instance of seasonally dependent foodstuffs prices—they were even more vigorous than before. This is particularly distinct in respect of producers' and wholesale prices, respectively, of industrial products. Prices for finished and semi-finished manufactures were in most industrialised countries by 4 to 5 p.c. higher than one year before, after the corresponding rates of higher prices—at least in Western Europe—had, during the summer months 1969, still been between 2 and 3 p.c. Increases above average were witnessed, according to available data, by France and Italy. In some countries the stronger price rise of investment goods in comparison to consumer goods is remarkable. On the one hand, this should have reflected the different level of the surplus demand, on the other hand, the weight of the increases of material costs (steel, non-ferrous metals) should have been bigger in the case of investment goods.

The price rise has, however, also for the private consumers in most countries become very noticeable. Only in Finland, Switzerland, Austria and the Federal Republic of Germany the increase in the cost of living at the end of 1969 remained under 3 p.c. (comparison with the preceding year), after in mid-1969 three more countries had still belonged to this group. Finally the rise in consumer prices reached between 3 and 4 p.c. in Spain, Italy, Norway, Sweden, and Denmark. Even stronger was the increase with about 4.5 p.c. in Belgium and Great Britain, above all, however, it continued in France with 6 p.c. and in the Netherlands with 7 p.c. Among the non-European industrial nations the USA at the end of 1969 showed a rise of the cost of living by 6 p.c.; with about 5 p.c. the rise was only slightly smaller in Canada and Japan.

Foodstuffs Prices Rose Vigorously

One of the main factors influencing the price rises in most countries was the vigorous increase in prices of foodstuffs, which, with the exception of North America, still make up between 35 and 45 p.c. of the consumer expenditure. The price level in this field was at the end of 1969 in many cases by

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

Index and commodity group	1969				1970		
	January	April	July	October	January	Jan. 30	Feb. 13
HWVA-Index ¹ (1952–1956 = 100)	98.7	101.1	104.0	106.7	109.4	109.4	110.0
Foodstuffs	93.3	93.9	94.6	97.3	100.7	100.8	99.5
Raw materials other than foodstuffs ...	101.4	104.5	108.5	111.2	113.6	113.5	115.1
Fuels	96.7	96.3	95.8	96.5	96.8	96.8	96.8
Raw materials for consumer goods ..	93.5	91.6	92.2	93.6	93.0	92.5	92.9
Raw materials for capital goods	111.4	121.6	132.3	138.2	144.9	144.7	146.0
Reuter's Index (18. 9. 1931 = 100)	519.8	528.5	531.1	541.5	558.7	562.2	559.5
Moody's Index (31. 12. 1931 = 100) ...	373.5	379.4	396.7	408.9	426.9	428.1	431.6

¹ Index compiled by the Hamburg Institute for International Economics.

5 p.c. to almost 7 p.c. higher than one year before, as e.g. in Sweden, Denmark, Belgium, the Netherlands, Great Britain and France. Foodstuffs in Italy and Norway became dearer by about 4 p.c. Only Finland, Switzerland, Austria, Spain and the Federal Republic of Germany showed lower price rises, namely between 1 and 3 p.c. In some cases so-called seasonal goods had a dampening effect. The strong price rise of the remaining foodstuffs should also reflect the accelerated rise in demand as a consequence of the strong income expansion.

Strong Price Rise also in 1970

The slowdown of economic expansion in the Western world

will not mean in 1970 simultaneously weakening tendencies of prices to rise, all the more as the rise of costs will first rather strengthen. Only in the further course of the year will the planned demand restrictions confine the margin for raising prices noticeably. The price increment rate of the GNP will thus reach at least 4 p.c. in Western Europe, North America and Japan. Nevertheless, in economic policy, in view of delayed effects to be considered, new retarding measures are in general not suitable. On the contrary, soon deliberations about the right timing for loosening the restrictions will be called for.

Agriculture, with 43.1 mn sacks fell by no less than 17 p.c. compared with the season 1967/68. In order to be able to utilise their export quotas, producer countries had to take considerable quantities of coffee from their stocks, which had been filled in the years of surplus production. According to estimates of the US Department of Agriculture there should, however, still be 44.5 mn sacks of coffee in the producer countries.

Initially, for the season 1969/1970 a world coffee production of 47.1 mn sacks was expected. But the increase of 10 p.c., compared with 1968/69, should be smaller, after the coffee planting areas in the Brazilian state of Paraná have been considerably affected. Brasil will therefore in 1969/70, for the fourth consecutive year, to a considerable extent have to meet its demand for home consumption and exports from its stocks. Under these conditions coffee prices will stay on their relatively high level.

Raw Material Markets

Coffee Prices Continued to Rise

Apart from the last weeks, in the second half of 1969 prices in the international coffee markets continued to rise vigorously. Therefore, present quotations of "Colombian mild Arabicas" have risen by 33 p.c., Brazilian "uncleaned Arabicas" by 32 p.c., Central American "other mild Arabicas" by 26 p.c. and "African Robustas" by 16 p.c. above the level one year before.

The rise in coffee prices is, on the one hand, a result of many years of export quotas in the framework of the International Coffee Agreement, and has, on the other hand, been evoked by the recent lagging of coffee production behind consumption. During the season 1968/69, world production of exportable coffee, according to data of the US Department of

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