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WORLD BUSINESS TRENDS

Western Europe: High Growth Rate Continuing

The rigorous economic growth in Western Europe continues during the current year. Industrial production maintained its rapid increase and surpassed during the first quarter of 1970 last year's corresponding result by 7 to 8 p.c. Since also demand expansion does not show any signs of weakening considerably in the near future, an overall increase of the real GNP in the order of approx. 5 p.c. can be expected for Western Europe in 1970 (1969: 6 p.c.). The further production increase gives testimony of a remarkable elasticity of most West European countries. If, nevertheless, the upward trend of prices has strongly increased in nearly all countries, this is an indication of the extraordinarily strong demand increase in the course of the economic boom lasting now for nearly three years.

Investments in fixed assets continue to expand above average in Western Europe. Their volume will increase in 1970 by 7 to 8 p.c., the same as in 1969. Without the distortions due to strikes in Italy there would surely have been a light slowdown. This is the reason why even in 1970 Italy has with about 11 p.c. (after 8 p.c. in 1969) again the highest increase of total investments in fixed assets under the most important industrial countries of Western Europe. Increase rates between 8 and 9 p.c. are expected in Belgium, the Federal Republic of Germany, Austria and Switzerland, while Great Britain, the Netherlands and Sweden should record below average increases between 4 and 5 p.c. The differentiation, therewith, shows a much smaller range than in 1969, when real investments in

fixed assets increased in different countries by 10 to 13 p.c., but at the same time stagnated in Great Britain, the Netherlands and Norway.

Building and Constructing Partly Restricted

On the whole and adjusted for prices, investments in fixed assets will continue to increase stronger than investments in building and constructing in Western Europe. On principle, this complies completely with the different elasticities of supply. But beyond this, investments in building and constructing, i.e. mainly housing as well as government's building and civil engineering, are directly influenced by credit- and fiscal-policy restrictions.

Growth Targets Demanding High Investments

The increase of real investments in fixed assets in Western Europe was during the last three years with 6.5 p.c. on average twice as high as during the preceding three-year-period. But the pace of expansion of the early sixties has not yet been reached again. This is remarkable against the background of the ambitious growth targets

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

Index and commodity group	1969			1970			
	May	August	November	February	May	May 29	June 12
HWWA-Index¹ (1952-1956 = 100)	102.1	104.8	108.3	110.0	111.4	111.1	110.7
Foodstuffs	94.1	92.2	99.2	100.1	102.8	103.1	102.3
Raw materials other than foodstuffs ...	106.0	110.8	112.7	114.7	115.5	115.0	114.7
Fuels	96.3	95.5	96.8	99.4	105.9	105.9	107.5
Raw materials for consumer goods ..	93.5	91.8	94.4	92.4	93.2	93.4	94.0
Raw materials for capital goods	124.4	139.0	141.4	145.3	140.4	138.6	136.0
Reuter's Index (18. 9. 1931 = 100)	532.9	532.4	552.4	560.1	563.8	560.4	559.4
Moody's Index (31. 12. 1931 = 100) ...	392.0	401.8	412.0	430.1	413.7	414.7²	409.6

¹ Index compiled by the Hamburg Institute for International Economics. ² May 28, 1970.

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which have just been declared within the framework of OECD. It is true that one cannot deduce directly from the growth rate of

investments upon the economic growth potential, but many factors seem to indicate that especially the share of government

investments—with a slight effect only on capacity in the short-run—will in future have to be increased.

The Most Important Data of the National Account * Prognosis for the year 1970

	1968	1969	1970	1969		1970	
	Years			1. hf.yr.	2. hf.yr.	1. hf.yr.	2. hf.yr.
Appropriation of the National Product — in current prices — in billion DM							
Private Consumption	301.1	332.3	371.0	155.2	177.1	174.4	196.6
Government Consumption	83.6	93.2	103.2	42.0	51.1	47.0	56.2
Investment in fixed assets	124.8	146.9	177.1	64.6	82.3	78.9	98.2
equipment	52.9	68.0	81.8	30.6	37.4	38.2	43.6
buildings	71.9	78.9	95.3	34.1	44.8	40.7	54.6
Change in stocks	+11.0	+13.5	+ 9.0	+12.7	+ 0.8	+11.0	- 2.0
External contribution	+18.0	+15.2	+12.3	+ 6.4	+ 8.8	+ 5.7	+ 6.6
exports	124.4	141.6	153.4	66.6	74.9	73.2	80.2
imports	106.4	126.4	141.1	60.2	66.1	67.5	73.6
Gross National Product	538.5	601.0	672.6	280.9	320.1	317.0	355.6
Change in p.c. compared with the previous year							
Private Consumption	5.9	10.3	11.5	9.8	10.8	12.5	11
Government Consumption	3.3	11.4	11	9.1	13.4	12	10
Investment in fixed assets	9.0	17.7	20.5	17.2	18.1	22	19.5
equipment	10.1	28.6	20.5	30.6	27.0	25	16.5
buildings	8.3	9.7	21	7.3	11.5	19.5	22
Exports	12.5	13.8	8.5	15.7	12.2	10	7
Imports	12.8	18.8	11.5	20.9	16.9	12	11.5
Gross National Product	8.9	11.6	12	10.9	12.3	13	11
— in prices of 1962 — Change in p.c. compared with the previous year							
Private Consumption	4.0	7.7	7.5	7.3	8.0	8.5	6.5
Government Consumption	- 0.9	4.1	3	3.0	5.0	3	3
Investment in fixed assets	8.0	12.8	8.5	14.8	11.2	8	8.5
equipment	10.5	24.8	13	28.3	22.0	16	10.5
buildings	6.0	3.4	4	4.1	2.8	0.5	7
Exports	13.4	11.9	6.5	14.8	9.5	8	5
Imports	14.7	16.2	11.5	18.9	13.8	12.5	10
Gross National Product	7.2	8.0	5	8.3	7.7	5.5	4.5

* Due to the fact that the head of the table did not go into print in the June number of INTERECONOMICS, we are today repeating this table.

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