

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

World economy: trend differentiation

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1971) : World economy: trend differentiation, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 06, Iss. 4, pp. 127-128,
<https://doi.org/10.1007/BF02927000>

This Version is available at:

<https://hdl.handle.net/10419/138471>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WORLD BUSINESS TRENDS

World Economy: Trend Differentiation

The cyclical development of the world economy showed an increasing differentiation during the last months. While in Western Europe and Japan the expansion of supply and demand declined distinctly, in the US the business recovery—temporarily interrupted by the strike in the automotive industry—again asserted itself. Moreover, also within Western Europe there are considerable differences between individual countries. On the one hand, in the Federal Republic and in most smaller countries the line of development is typical of a post-boom period. In France, on the other hand, expansive factors already seem to effect demand noticeably. In Italy stimulating forces are opposed by labour conflicts. In Britain the wave of strikes also continues and hampers the overcoming of stagnation tendencies.

In spite of these differences the unusually strong upward trend in prices remained a universal attribute of the economic situation in all industrialised countries. Already in 1970 the Western nations nominal GNP rose by more than 8 p.c., but in real terms only by 2.5 p.c. Particularly unfavourable was the relation between these two ratios in the US, where an increase in nominal terms by almost 5 p.c. was even accompanied by a slight decrease in real terms. But also excluding the US, the remaining industrial countries register the unsatisfactory result that in 1970 the price index of the GNP rose by nearly 6 p.c. as vigorously as the volume of production.

Cost of Living Mostly up by 5 p.c.

In many national economies this advance in prices did not fully affect private consumption. There was still a number of

countries where in 1970 consumer prices rose by "only" 3.5 to 4.5 p.c., as e.g. Belgium, the Federal Republic, the Netherlands, Austria, Switzerland, and Canada. Against this the price increases reached 5 to 6 p.c. in France, Italy, Spain and the US, 6 to 7 p.c. in Denmark, Britain and Sweden, and almost 8 p.c. in Japan. This picture of an inflationary development becomes even more distinct in a comparison of the months around the turn of the year 1970/71 with the previous year's corresponding period. According to this comparison ten of the a/m countries are already now registering inflation rates of more than 5 p.c. True, in some instances the increases of indirect taxes are included in prices, but, on the other hand, in a growing number of countries more or less stringent price controls have braking effects.

Causes of Price Increases

In an analysis of price developments by categories of goods, foodstuffs—the largest single group by far—show an extraordinarily wide range of dispersion. These markets are obviously subject to strong specific influences due to their limited international integration. It

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

Index and commodity group	1970				1971		
	February	May	August	November	February	Feb. 26	March 12
HWHA-Index ¹ (1952–1956 = 100)	110.0	111.4	108.2	108.4	108.8	108.8	108.9
Foodstuffs	100.1	102.8	102.4	105.9	108.4	107.8	107.0
Raw materials other than foodstuffs ...	114.7	115.5	110.9	109.5	109.0	109.2	109.8
Fuels	99.4	105.9	109.5	113.6	112.9	113.2	113.2
Raw materials for consumer goods ..	92.4	93.2	94.0	92.1	93.2	93.7	93.9
Raw materials for capital goods	145.3	140.4	123.9	117.2	115.7	115.8	117.3
Reuters Index (18. 9. 1931 = 100)	560.1	563.8	557.1	555.9	540.4	526.9	532.2
Moody's Index (31. 12. 1931 = 100) ...	430.1	413.7	409.9	386.0	388.9	382.4	379.0

¹ Index compiled by the Hamburg Institute for International Economics.

is all the more remarkable that after exclusion of food the strong advance in prices becomes even more distinct in the great majority of countries. The inflation rates calculated this way reached between 5 and 8 p.c. at least, in Britain even 9 p.c.

The causes of this—apart from the raw material markets—recently hardly declining upward trend of prices in Western industrial states, at present are generally not to be found in critically excessive demands on resources. It is rather the development of costs that is decisive, in many national econ-

omies a typical post-boom symptom. But it is also questionable whether the attitudes of entrepreneurs and trade unions in the medium-term are still in line with former stability anticipations. In Britain and the US this is obviously not the case anymore. This is anyway indicated by the continuously vigorous price- and wage increases in spite of considerable underemployment. In the continental European countries the risk of a similar development is also present, all the more since none of the major national economies offers a stabilising counterbalance.

be compensated by the expansion of cotton manufacturing in developing countries. On the whole, a production deficit of more than 1 mn bales is to be expected in 1970/71.

In the coming season 1971/1972 cotton production will probably increase slightly vis-à-vis the present season. Cotton production in the USA is to remain unchanged. An increase in cotton cultivation can be expected in a number of developing countries because of continuous price increases. Total world cotton production should again be insufficient to satisfy consumption, which should expand more strongly than production as a result of the increase in US-business activity.

Raw Material Markets

Stable Prices on the World Cotton Market

The world market prices for Upland-cotton remained on a relatively high level in the course of the present season August 1970/July 1971 due to a production deficit to be expected for the second time. The prices for Egyptian extra-long-staple cotton were also stable during the last months, but in comparison with last year a slight price decrease in these species is to be noted in general.

According to estimates of the International Cotton Advisory Committee world cotton produc-

tion will increase insignificantly to 52.2 mn bales in the season 1970/71. In the USA a slightly increased production is expected, while in the other Western nations taken together production should be slightly less than in the past season. In the USSR a record crop can be expected. World cotton consumption will remain nearly unchanged at 53.3 mn bales. In most industrial countries consumption decreases are expected due to the cooling-off in the business activity. But these decreases will

Due to this for the consumer continuously unfavourable development of the supply situation, higher cotton prices must even be expected during the coming months. A certain pressure on prices could only take place at the end of the year if an unexpectedly high crop is registered in the next season. But this need not start a real change in tendency.

Compiled by the Department for Business Trends Research of the Hamburg Institute for International Economics

PUBLISHER: The Hamburg Institute for International Economics (HWWA—Institut für Wirtschaftsforschung—Hamburg).
Director: Professor Dr Heinz-Dietrich Ortlieb, and The German Overseas Institute Foundation (Stiftung Deutsches Übersee-Institut), Executive Director: Dr Günther Jantzen

EDITORIAL BOARD:

Chief Editor: Dr Dietrich Kebschull

Assistant Chief Editor: Hubert Höping

Editors: Otto Gustav Mayer, Carsten Moser, Ingo v. Jacobi, Klaus Kwasniewski

Editorial Production: Sabine Hohmann, Helga Lange

Address: Karl-Muck-Platz 1, 2 Hamburg 36, Phone: (04 11) 35 10 71, App. 1610, 1634, 1657

PRODUCTION AND DISTRIBUTION:

Verlag Weltarchiv GmbH, Hamburg

Advertisements: Representative Dr Hans Klemen

Advertising Price List: No. 12 of January 1, 1968

Rates of Subscription: Single Issue: DM 4.20 (US\$ 1.20); Annual rate: DM 48.— (US\$ 14) (Students: DM 24.— (US\$ 7))

Publication Dates: monthly

Printing: Otto Schwitzke, Hamburg

Address: Eppendorfer Landstrasse 106, 2 Hamburg 20, Phone: (04 11) 46 10 19 and 48 10 10

Copyright by Verlag Weltarchiv GmbH