

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

Article — Digitized Version

Differing cyclical situation

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1971) : Differing cyclical situation, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 06, Iss. 9, pp. 289-290, <http://dx.doi.org/10.1007/BF02929122>

This Version is available at:

<http://hdl.handle.net/10419/138529>

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

Differing Cyclical Situation

This summer cyclical developments of Western industrial countries continue to show a highly differentiated and partly hazy picture. On the one hand, the USA's business revival is continuing. On the other hand, in Japan the slackening trend has not yet been overcome. In Western Europe the differences in the cyclical situation are still very pronounced from country to country. While in Britain and Italy the quasi-stagnation has led to an intensification of economic incentives, in the Federal Republic restrictions of demand have again been tightened after the floating of the D-Mark. Cyclical upward trends are still strongest in France and a few minor economies.

Worldwide Inflationary Trends

The dampened development of production since the cyclical peak in the first half of 1970 has led to a lessened utilisation of resources in most of the West European economies and Japan. In the USA the working below

capacity has been overcome to a small extent only in the course of the cyclical revival. Nevertheless the strong upward trend in prices has obviously weakened nowhere. Typical of the inflationary development of the world economy is the fact that in 1971 an estimated growth of the Western industrial nations' GNP in nominal terms of 9.0 p.c. is accompanied by a real production increase of only 3.5 p.c. With that a misproportion similar to that in the previous year is indicated when the corresponding rates were 8.0 and 2.5 p.c., respectively.

Costs of Living Expanding

Costs of living are certainly not fully representative of the overall economic price development, but they are nevertheless the most comprehensive indicator for price increases, available in the short run in all countries and therefore comparable. During the last months there were often price increases

exceeding by far the level reached in the Federal Republic, thus e.g. between 6.5 and 8.0 p.c. in Switzerland, Sweden, Japan, Denmark, Norway and the Netherlands, and even 10 p.c. in Britain and Spain. Price increases by 5 to 5.5 p.c. registered the Federal Republic, France and Finland. Thereagainst rates between 4.0 and 4.5 p.c. as e.g. in Belgium, Austria, Italy and the USA appear to be quite moderate ones. The only industrial country with an even lower price rise of 2.5 p.c. is Canada.

Producer Prices: Tendency to Calm Down

In most countries producer and wholesale prices of semi-finished and finished products were finally 3.0 to 5.0 p.c. above the previous year's level. Only in Italy, Canada and Japan these prices did not climb that much, but in Austria and Britain they have risen even more steeply. In the latter country the price increase reached 9.0 p.c. in spite of growing underemployment: the worst example of stagflation. In some countries, however, a certain trend towards declining price increases in production and wholesale trade can be noticed. Due to the exaggerated effects of semi-finished products on the indices, world market trends partly play a certain role. But in part also the changed supply-demand situation may

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

Index and commodity group	1970		1971				
	July	October	January	April	July	Aug. 6	Aug. 20
HWWA-Index¹ (1952-1956 = 100)	109.3	107.7	108.9	110.0	110.2	111.1	110.5
Foodstuffs	102.0	104.2	109.0	106.3	104.0	103.5	102.8
Raw materials other than foodstuffs ...	112.8	109.4	108.8	111.8	113.1	114.9	114.2
Fuels	108.8	112.5	112.3	113.5	118.5	123.6	123.6
Raw materials for consumer goods ..	93.8	91.8	93.1	94.4	98.6	100.6	99.5
Raw materials for capital goods	129.8	118.2	116.0	121.9	117.5	115.7	114.7
Reuter's Index (18. 9. 1931 = 100)	564.4	557.2	551.1	534.5	525.6	524.0	519.8
Moody's Index (31. 12. 1931 = 100) ...	410.2	398.2	385.0	376.2	370.9	365.2	364.8

¹ Index compiled by the Hamburg Institute for International Economics.

have caused a greater restraint of the manufacturers of finished products.

So far, however, these trends are not enough pronounced to reduce apprehensions about an internationally diffused relaxation of the connections between cyclical and price developments. Above all the course of events in Britain and the USA is disillusioning in this respect. Only

if in other industrial countries similar experiences could be avoided they would be enabled to return to an economic policy of expansion without neglecting targets of stabilisation policy. In spite of the forces originating from overall economic facts, it is certainly of major importance how the representatives of employers and labour utilise their scope of action with regard to price and wage formation.

considerably, quotations have slipped back quickly. The price slump in the rubber market was finally reinforced by the decision of the US stockpile authorities to start immediately annual sales of 72,000 t of rubber. This decision was very surprising in so far as the USA had stopped their rubber sales already at a higher price in 1970.

For this reason an improvement of the statistical situation in favour of the rubber producing nations cannot be expected soon. World production of natural rubber was again higher in the first quarter of 1971 than a year ago. It seems that the announced cut in output becomes only slowly effective. The increase of rubber consumption in the USA and in Japan should be—provided that expansion in West Europe remains unchanged—very distinct in the course of the economic recovery if the extension of supply is to be surpassed. This alone could induce steady price rises in the world markets for natural rubber. At any rate, a quick change of price developments can only be expected if Red China should, after all, carry through extensive purchases.

Raw Material Markets

Rubber Prices Declining Again

The recovery of world market prices for natural rubber since March 1971 has already come again to a standstill mid-May. Prices have lately declined considerably because expected additional purchases by the People's Republic of China were not realised and the US-Government has expressed its intention to effect sales out of its strategic reserves on a large scale.

The reasons underlying the depression on the rubber market date back to the second half of 1970. At that time it came to considerable production surpluses. Under these circumstances the revival of demand for rubber in the USA after the settlement of the strike in the

automotive industry at the beginning of 1971 and later on the stockpiling undertaken as a measure of precaution because of an imminent strike of the dockers led to an only moderate rise of quotations.

But a decisive change in the rubber market seemed to come about only in March 1971, when the Malayan Government was evidently able to persuade the People's Republic of China to the promise to buy in future up to 250,000 t rubber from Malaya every year. This opened prospects of reducing quickly the surplus stocks which had been built up in the course of supporting purchases. But as China did not yet increase its rubber purchases

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

PUBLISHER: HWWA—Institut für Wirtschaftsforschung—Hamburg (Professor Dr Heinz-Dietrich Ortlieb, Dr Dietrich Keschull) and Stiftung Deutsches Übersee-Institut (Dr Günther Jantzen)

EDITORIAL BOARD:

Chief Editors: Carsten R. Moser, Otto G. Mayer

Assistant Chief Editor: Hubert Höping

Editors: Klaus Kwasniewski, Gert Romeyke

Editorial Production: Sabine Schwarz, 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. 13 of January 1, 1971

Rates of Subscription: Single Issue: DM 4.20; Annual rate: DM 48.— (Students: DM 24.—)

Publication Dates: monthly

Printing: Otto Schwitzke, Hamburg

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

Copyright by Verlag Weltarchiv GmbH