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Italy: A spell of bad weather

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sign yet of abating. But the position in the labour market, marked as it is by a transition from overfull employment to full employment, is another symptom of cyclical normalisation.

And yet, the inflation — 5.8 p.c. — has still not been brought under control. Chronic inflationary impulses are set off in France by the multitude of strikes rather than by wage settlements unmatched by productivity gains. It remains in doubt whether President Pompidou's government will succeed in achieving a greater measure of price stability. Though the 1972 budget does not give rise to inflationary pressures, the attitude of the trade unions and employers in the next wage negotiations will be crucial.

According to Finance Minister Giscard d'Estaing, the future economic development in France will be determined chiefly by foreign demand and thus the economic trend in EEC and EFTA countries which absorb 60 p.c. of French exports. As the franc emerged unchanged from the Washington realignment, French goods have retained their competitive strength in foreign markets, a fact which is borne out by the French export record in December, 1971. If the present currency parities remain unchanged, it may be assumed that the domestic inflation will not be too much of a handicap for exports. bw.

Italy

A Spell of Bad Weather

It is not only the weather which is downright bad in Italy during this winter. The economic skies are also obscured by dark clouds. The discomfort is all the greater because Italy can look back on many years of exemplary economic progress. One of Europe's poorhouses has turned into a respectable industrial nation.

The fine weather period has for some time now come to an end. The most dangerous crisis symptom is that for the first time since the end of the war industrial production has been lower than in the preceding year. The number of unemployed is approaching the million mark. The rise of consumer prices at an annual rate of 5 p.c. is continuing this year, and experts even anticipate an increase at a rate of 7 to 8 p.c. in the near future. Despite such gale warnings, the wave of strikes does not abate. Between January and November, 1971, 75 p.c. of the country's productive capacity only was in use. But wages advanced within a year in some industries by more than 15 p.c. An opinion

poll revealed that one half of all firms expect investment activity to stagnate and the other half even anticipates a decline. An improvement of the economic climate owing to increased public sector expenditure cannot be expected before the coming elections since a caretaker Government is not very likely to bother with long-term economic planning.

The Italian economy viewed as a whole shows a picture of continuing stagflation without any sign of forces coming to the fore which could overcome the desolate situation. Common sense and energy are urgently needed from the social partners as well as the Government to stabilise the Italian economy. Otherwise the spell of bad weather may turn into a lasting depression. ro.

USA

A Good Year for the Economy

In 1972 the USA will achieve the hoped-for economic growth with slower price increases and declining unemployment rates. A real GNP growth of about 5.5 p.c. is indicated by the anticipated growth rates for investment and consumer spending and profits while capacities will be used more fully and, at the same time, enlarged. Positive effects on growth will also result from the dollar devaluation and the expansionary measures of the Nixon Administration. The numbers out of work however will not fall significantly, the creation of 1,000,000 new jobs notwithstanding, and the unemployment rate will stay up at 5 p.c. Despite the indication of vigorous growth, the rise in prices may moderate from 5 p.c. (in 1971) to a little over 4 p.c. which would be substantially above the Administration's 3 p.c. target for mid-1972.

It is thus very probable that the fruits of three years' efforts to improve the economic situation in the USA will be gathered in the election year 1972. The measures of August 15, 1971, and in particular the wage and price stop, the promised tax cuts and the suspension of the dollar's convertibility which led to its devaluation and the realignment of currencies, will only now have their full positive repercussions. The only thing that worries the public and the opposition at present is the predicted budgetary deficit of \$ 25 bn, since already in 1971 the deficit had amounted to \$ 40 bn vis-à-vis the anticipated \$ 11.6 bn. But in spite of this it is very likely that President Nixon will achieve his objective of making 1972 a good year, at least as far as his economic policy is concerned. kw.