

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

Article — Digitized Version
World business trends

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1972) : World business trends, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 07, Iss. 7, pp. 223-224,
<https://doi.org/10.1007/BF02929873>

This Version is available at:
<https://hdl.handle.net/10419/138672>

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WORLD BUSINESS TRENDS

Great Britain: Heading for Expansion

The main concern of the British government is at present in spite of continuing considerable price increases the high rate of unemployment. Adjusted to seasonal variations, there were in Great Britain in May this year still some 3.7 p.c. of the employees without a job. The budget of March this year, being very expansive again, is to counteract unemployment by promoting effectively the growth of the real gross domestic product.

Consumption and Investment Activities

Tax reductions and renewed lowering of the purchase-tax amounting to £ 1.2 bn aim at a further stimulation of private consumption which in 1971, with a 2.5 p.c. growth rate in real terms, was already one of the expansive forces. It is true, in the first quarter of this year private consumption adjusted for

seasonal variations remained almost on the level of the second half year 1971. This, however, is attributable to a certain purchase restraint exercised in expectation of the budget. This year's increase may reach some 5 p.c., duly adjusted for price changes. Investment activities, which have so far been rather dragging, are to be stimulated indirectly by an expansion of consumption, and directly by extending the depreciation allowances and by granting regional investment premiums. Investments in capital goods increased in 1971 by not more than 1 p.c. in real terms. The last survey of the C.B.I. shows that general optimism and also the number of those planning an extension of their production facilities has increased. But it reveals also that considerable capacities are still unused which could initially absorb a growing demand.

In the first four months of this year, the value of British exports was 3.7 p.c. lower than in the last four months 1971. Imports, however, rose during the same period by 6.3 p.c., so that the balance of trade deteriorated to a considerable extent. In this development it must be taken into consideration that export figures are distorted as a result of the miners' strike that took place in January/February.

Price Trends

The stabilisation trend, which had been noticeable hitherto in respect of wages and prices, appear to turn round again. The growth rates of wages per hour, which had been retrogressive for some time, rose slightly from 11.9 p.c. in January this year to 12.2 p.c. in April, and the high wage demands and concessions of late seem to indicate a further increase. Although consumer prices — in April they were 6.3 p.c. higher than a year ago — show continuously decreasing growth rates, they rose by 2.3 p.c. from December until April, as against 1.8 p.c. in the preceding four months. Since the pressure of wage costs will hardly give way even when more progress is made in productivity and, on the other hand, the scope for passing costs on to

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

| Index and commodity group | 1971 | | | 1972 | | | |
|--|-------|--------|----------|----------|-------|--------|---------|
| | May | August | November | February | May | June 9 | June 23 |
| HWWA-Index * (1952-1956 = 100) | 105.0 | 106.9 | 106.6 | 116.6 | 118.5 | 118.6 | 117.2 |
| Foodstuffs | 100.2 | 98.9 | 99.3 | 114.6 | 110.5 | 112.2 | 108.4 |
| Raw materials other than foodstuffs ... | 107.2 | 110.8 | 110.1 | 117.6 | 122.3 | 121.6 | 121.5 |
| Fuels | 114.5 | 124.9 | 124.5 | 126.8 | 131.7 | 131.7 | 131.7 |
| Raw materials for consumer goods .. | 91.5 | 94.8 | 96.6 | 110.8 | 120.3 | 119.0 | 118.6 |
| Raw materials for capital goods | 110.6 | 107.5 | 104.8 | 112.9 | 114.3 | 113.3 | 113.2 |
| Reuter's Index (18. 9. 1931 = 100) | 529.6 | 522.1 | 508.1 | 554.5 | 551.5 | 550.6 | 550.6 |
| Moody's Index (31. 12. 1931 = 100) ... | 378.6 | 364.9 | 368.1 | 393.5 | 403.6 | 405.1 | 405.1 |

* Index compiled by the Hamburg Institute for International Economics. On dollar-basis.

buyers will become larger, it is possible that price increases will accelerate again.

It is doubtful whether the growth rate of the real gross domestic product of almost 5 p.c., on which official forecasts for 1972 have been based, will be reached. For it is quite possible that the pressure in demand produced by the budget

will not be reflected in a growing real product but in increased prices. A growth rate of some 4 p.c. therefore appears to be more realistic. This would be extraordinarily much for British conditions, but it would not lead to an appreciable decline of the rate of unemployment, for the increase of productivity would probably not be much smaller.

tion in the first months of 1972 have not yet sufficed to effect a substantial change of the statistical situation on the copper market. On the contrary, stocks held by producers and at the London Metal Exchange have increased further. This development again might have prompted traders and processors to discontinue precautionary accumulation of stocks. It is assumed that they still reckon with a further price decline in the traditionally quiet summer months. Should no special production losses occur, this assumption will probably prove to be correct.

Raw Material Markets

Price Decline on the Copper Markets

In April 1972 prices began to decline again on the world copper markets owing to ample supplies and reserved buying attitudes. In the preceding three months the stronger demand following the realignment of the exchange rates had temporarily led to price increases of roughly 10 p.c. Spot copper is at present quoted at the London Metal Exchange at £ 410 per ton. In the USA the copper price decreased in April/May by 1 c to 50.75 c per lb.

The statistical situation on the copper market developed so unfavourably for the producers for the reason that, also in 1971, they were not able to avoid a

further production surplus. The production of refined copper in the western world was reduced by 6.5 p.c. to 5.80 mn tons, compared with 1970, but consumption declined as well, by 1.7 p.c. to 5.64 mn tons. As a result of this development the copper stocks held by producers remained with 430,000 tons considerably above average. Copper stocks at the London Metal Exchange doubled in the course of 1971 and reached with 140,000 tons at the end of December the highest post-war level.

According to the statistics available so far, the temporary growth of demand and the lasting curtailment of produc-

The last months of this year might witness a recovery of copper prices. In the western world copper consumption will gradually rise to a greater extent, since the cyclical expansion is increasing in the industrial countries outside North America as well. However, as the large unsold copper stocks guarantee ample supplies for quite some time to come, price increase will remain within narrow limits.

Compiled by the Department on Business Cycles and Statistics of the Hamburg Institute for International Economics

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

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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: Neuer Jungfernstieg 21, 2 Hamburg 36, Phone: (04 11) 35 62 500

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