

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. 12, pp. 391-392,
<https://doi.org/10.1007/BF02927495>

This Version is available at:
<https://hdl.handle.net/10419/138754>

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.

Germany: Stronger Expansion

In the second and third quarters of 1972 the economic situation in the Federal Republic of Germany was marked by a suspended upward tendency. Simultaneously the utilisation of industrial capacity has not increased and a considerable rise in the backlog of orders could not be noticed. Consumer expenditure of private households increased strongly again. The expansion of demand on the building-market has continued in the last months. Up to now the demand for equipment-investments has grown at a low rate. The noticeable upward tendency of foreign demand—after an interruption in the middle of the year—has continued. The expansion of government expenditure has not continued to decline in the summer halfyear. Simultaneously the public revenue has grown more strongly and may exceed the budget appropriation for this financial year. These are the results arrived at by the Association of German Economic Institutes in its latest report.

Higher Investments

The prognosis for 1973 does not assume a change in cyclical policy. The essential moment for the cyclical upswing will be an increase in the propensity to invest. The assumption of a rapidly upward moving demand for capital goods is supported by the entrepreneurs' plans to invest. For equipment investments in real terms of all economic sectors an increase by 7 p.c. is to be expected in 1973. On the building-sector

total investments in real terms will probably expand at a rate of nearly 4 p.c. A further improvement of expectations by the entrepreneurs will surely stimulate arrangements for carrying stocks.

Exports and World Trade

The cyclical uprise will be supported by foreign demand in the next months. Expansive influences are to be expected from further improvements of the cyclical process in a number of importing countries, from the expansion of the EEC and the Free-Trade-agreements with the rest of the EFTA-countries. The increase in exports will be considerably slower than in the upswing of the last economic cycle; for this time the German exporters will probably not have such an advantage in price competition as they had in the last cycle.

Consumer expenditure will also expand more rapidly in 1973. There is a particular risk that the expected budgetary surplus may lead to an expansion of public expenditure. In 1973 GNP in real terms will rise at a steady annual rate of about 6 p.c. Within the next year the growth rate will accelerate, although compared with the preceding year there will be only an increase of nearly 5 p.c. The assumption of a "normal" winter 1972/73 in this prognosis reduces the growth rate because of last year's mild, production favouring winter. With the faster expansion of demand and production the growth of imports will also accelerate again. The tendency towards a reduced

external contribution, which was already to be seen in the second and third quarters of 1972, will continue during the next year. The net position on goods and services including net current transfers should become adverse.

High Price Increases

The increase of consumer prices will slow down a little, although this will be only a result of the fact that a lower rate of price increases in foodstuffs is assumed. All the other consumer goods and private services will probably register a higher rate of price rises. Compared with the year before the cost-of-living index of 1973 will probably rise by a total of 5.5 p.c., i.e. this year's rate.

The Institutes are hoping that economic policy actions will influence the development of prices and costs in such a way that the forecasted undesirable trend will not take place. It is the opinion of the Institutes in Essen, Hamburg and Kiel that the problem of stabilisation in this situation cannot be solved only by monetary or fiscal policy, but that a comprehensive stabilisation programme is necessary. In this programme the limits for the expansion of demand have to be so fixed that full-employment will only be guaranteed if employers and employed act in accordance with stabilisation.

In a situation of high inflation rates stabilisation can only be obtained gradually. Indispensable precondition of a success is an efficient covering against

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

WORLD BUSINESS TRENDS

external influences. As at present the main problem is an elastic defence against external distortions, a flexible exchange rate would be most suitable. The Institutes in Berlin and Munich hold another opinion

mainly concerning the external safeguard of a stabilisation policy. From their point of view measures in the field of exchange rate policy are neither necessary nor useful for the foreseeable future. Because of

price- and costs-relations with foreign countries external inconveniences would not be of pressing importance at present. For the time being questions of external protection arise only for monetary policy.

The Most Important Data of the National Account

Prognoses for the 2nd half of 1972 and for 1973

| | 1971 | 1972 | 1973 | 1972 | | 1973 | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 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 | 409.1 | 446.8 | 490.3 | 210.6 | 236.2 | 231.1 | 259.2 |
| Government Consumption | 130.7 | 148.1 | 168.4 | 68.5 | 79.6 | 77.9 | 90.5 |
| Investment in fixed assets | 202.9 | 217.5 | 239.8 | 101.1 | 116.4 | 108.8 | 131.0 |
| equipment | 90.9 | 93.5 | 102.5 | 45.1 | 48.4 | 48.7 | 53.8 |
| buildings | 112.0 | 124.0 | 137.3 | 56.0 | 68.0 | 60.1 | 77.2 |
| Change in stocks | + 6.0 | + 6.9 | +13.4 | +10.0 | — 3.1 | +13.5 | — 0.1 |
| External contribution | 10.1 | 9.8 | 7.4 | 5.1 | 4.5 | 3.5 | 3.9 |
| Exports | 173.0 | 185.5 | 206.1 | 89.6 | 95.9 | 98.5 | 107.6 |
| Imports | 163.0 | 176.0 | 198.7 | 84.6 | 91.4 | 95.0 | 103.7 |
| Gross National Product | 758.8 | 828.8 | 919.3 | 395.2 | 433.6 | 434.8 | 484.5 |
| Change in p.c. compared with the previous year | | | | | | | |
| Private Consumption | 10.9 | 9 | 9.5 | 9.4 | 9 | 9.5 | 9.5 |
| Government Consumption | 19.8 | 13.5 | 13.5 | 13.1 | 13.5 | 13.5 | 13.5 |
| Investment in fixed assets | 12.1 | 7 | 10.5 | 7.2 | 7 | 7.5 | 12.5 |
| equipment | 9.7 | 3 | 9.5 | 1.0 | 4.5 | 8 | 11 |
| buildings | 14.1 | 10.5 | 10.5 | 12.9 | 9 | 7.5 | 13.5 |
| Exports | 9.1 | 7 | 11 | 6.3 | 8 | 10 | 12 |
| Imports | 10.5 | 8 | 13 | 6.5 | 9.5 | 12.5 | 13.5 |
| Gross National Product | 10.7 | 9 | 11 | 9.1 | 9.5 | 10 | 11.5 |
| — In prices of 1962 — Change in p.c. compared with the previous year | | | | | | | |
| Private Consumption | 5.5 | 3.5 | 4 | 4.0 | 3 | 3.5 | 4.5 |
| Government Consumption | 7.3 | 4 | 3.5 | 4.1 | 4 | 3.5 | 3.5 |
| Investment in fixed assets | 4.5 | 3.5 | 5.5 | 3.2 | 3.5 | 3.5 | 7.5 |
| equipment | 4.7 | 1.5 | 7 | — 0.3 | 3.5 | 5.5 | 8 |
| buildings | 4.3 | 5.5 | 4 | 7.1 | 4 | 1.5 | 6.5 |
| Exports | 6.4 | 5.5 | 8.5 | 4.7 | 6.5 | 7 | 10 |
| Imports | 9.7 | 9 | 10 | 9.7 | 8.5 | 9 | 10.5 |
| Gross National Product | 2.8 | 2.5 | 5 | 2.2 | 3 | 4 | 6 |

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

EDITORIAL BOARD:

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

Assistant Chief Editor: Hubert Höping

Editors: Klaus Kwasniewski, Bettina Weber, Albrecht Iwersen

Editorial Production: Sabine Schwarz, Helga Lange

Address: Neuer Jungfernstieg 21, 2 Hamburg 36, Phone: (04 11) 35 62 307/308

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

Copyright by Verlag Weltarchiv GmbH