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World business trends

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WORLD BUSINESS TRENDS

1973: Worldwide Boom

In 1973 the worldwide economic growth will accelerate. The western industrial nations' GNP in real terms increasing by about 7 p.c. should achieve the highest growth rate since the mid-fifties. The renewed acceleration is being initiated mainly by increasing forces of expansion in Western Europe. In Japan a noticeably enlarged production growth is also to be anticipated, even if the second Yen-revaluation, now under discussion, would be realised. In the USA, too, another slight improvement of economic growth is to be expected. Although an excess demand on resources is not yet impending in any one of the economic areas, the upward trend of prices will grow stronger in most instances.

Western Europe

The acceleration of cyclical expansion in Western Europe is mainly supported by the stimulated investment activities. In 1973 the West European GNP in real terms will grow by about 5 p.c. and in terms of money by about 12 p. c. The upward trend in prices will on average

be about the same as in the preceding year, assuming a certain success of the stabilisation measures as taken by numerous countries during the last months and a continuing of the more restrictive course. The West European economic policy authorities are facing a difficult task here, since, on the one hand, an inflationary overheating, and, on the other, an early „fluttering away“ of the boom and a turn to a genuine stagflation are threatening.

The start of a cyclical upswing during a phase of inflationary tendencies all over Europe is a new experience. Therefore the hypotheses on the shape of economic policy and the attitudes of entrepreneurs as well as trade unions are very unreliable. This is particularly valid for the assumption that the period of a wage and price stop in Britain will be a breathing-space used by the Government and employers as well as labour to work out solid agreements on stability and that in Italy the unceasing conflicts will subside noticeably after this year's general wage in-

crease. If this were not to happen the prospects for a noticeable increase of these countries' economic growth would be deceptive.

USA and Japan

In the USA the vigorous cyclical upsurge will continue at about the present rate far into 1973. Demand, apart from private house-building, will contribute widely to this. The possibility of another increase in the upswing is improbable in view of the restrictive monetary policy and the coming less expansive financial policy. If anything, a declining demand expansion is to be anticipated during the second half of 1973. Even in this case the GNP of 1973 in real terms could still grow by about 7 p.c. The available reserves admit such a production increase without tensions worth mentioning. The disequilibrium in the balance of current transactions will only slowly decline since the USA's imports are expanding quickly due to the cyclical upsurge.

Japan mainly will profit from this development, for almost one third of its exports are absorbed by the USA. A second Yen-revaluation, which is to be anticipated due to the continuously high surpluses in the balance of current transactions, would dampen the favourable

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

Index and commodity group	1971	1972				1973	
	December	March	June	September	December	January 5	January 19
HWWA-Index * (1962-1966 = 100)	110.0	118.6	117.7	118.2	128.5	134.6	135.6
Foodstuffs	104.5	116.4	110.0	115.6	132.4	135.8	135.2
Raw materials other than foodstuffs ...	112.6	119.7	121.4	119.4	126.6	134.1	135.7
Fuels	124.6	128.5	131.4	130.2	130.6	137.3	137.3
Raw materials for consumer goods ..	102.9	114.0	118.4	109.4	130.0	140.1	144.9
Raw materials for capital goods	107.2	114.8	113.2	115.4	120.4	126.8	128.0
Reuter's Index (18. 9. 1951 = 100)	525.8	557.0	551.4	612.2	722.2	773.6	796.2
Moody's Index (31. 12. 1951 = 100) ...	373.6	394.9	405.2	435.4	471.1	480.7	487.0

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

cyclical aspects but slightly, all the more so since the revaluation rate would certainly be considerably lower than the one a year ago. Moreover the Government will continue its programme for the stimulation of domestic demand by vigorously expanding state expenditure. To a certain extent the revaluation would even help to overcome the temporary restraint as regards new investment plans, since an important element of uncertainty would be removed. Even on the assumption that the rate of expansion does not increase further, 1973 will register an economic

growth of about 12 p.c. in real terms.

**Strong Expansion
of World Trade**

In 1973 the generally still accentuated increase in demand in the Western industrial states justifies the anticipation of a continuously accelerating expansion in world trade. The assumption of an increase in real terms by about 10 p.c. (after more than 7 p.c. in 1972) does by no means seem to be exaggerated, taking all foreseeable influences into consideration — particularly since also the developing countries should

increase their imports briskly in view of their vigorously growing export proceeds. Together with a slight increase of the average export prices a nominal expansion — measured in dollar — of world trade turnovers by about 15 p.c. should then be resulting. This is valid on the assumption that the numerical effects of the Sterling-devaluation and the Yen-revaluation will almost balance each other.

*Compiled by the Department on
Business Cycles and Statistics
of the Hamburg Institute for In-
ternational Economics.*

Gross National Product of the OECD-Countries 1971 to 1973

(Comparison with a year earlier in p.c.)

	at stable prices			at current prices			price index of GNP		
	1971	1972 ◦	1973 ◦	1971	1972 ◦	1973 ◦	1971	1972 ◦	1973 ◦
USA	2.7	6.5	7.0	7.6	9.5	10.5	4.8	3.0	3.5
Canada	5.5	6.0	6.5	8.9	10.0	11.5	3.3	4.0	4.5
Japan	6.3	9.0	12.0	11.2	14.5	18.5	4.7	5.0	6.0
Western Europe ¹	3.0	4.0	5.0	10.5	10.5	12.0	7.4	6.5	6.5
Belgium	3.7	4.0	4.5	9.7	9.5	10.5	5.8	5.5	6.0
Fed. Rep. of Germany	2.8	2.5	5.0	10.7	9.0	11.0	7.8	6.5	5.5
Denmark	3.9	4.0	4.5	9.6	12.0	12.5	5.5	7.5	7.5
Finland	2.3	4.0	5.0	9.3	11.5	12.5	6.8	7.0	7.0
France	5.0	5.5	6.0	10.2	12.0	12.5	5.0	6.0	6.0
Great Britain ³	1.1	3.5	4.5	11.9	11.5	12.0	10.7	7.5	7.0
Italy	1.4	3.0	5.0	8.1	9.0	12.5	6.6	6.0	7.0
Netherlands	4.3	3.5	5.0	12.4	12.5	13.5	7.8	8.5	8.0
Norway	5.0	4.0	4.5	12.3	12.0	12.5	7.0	7.5	7.5
Austria	5.2	5.5	5.5	11.2	12.5	13.0	5.7	6.5	7.0
Sweden	0.2	2.0	4.5	7.7	8.0	10.0	7.6	7.0	7.0
Switzerland	3.9	4.0	4.5	13.4	13.5	12.0	9.1	9.0	7.0
Spain	4.5	7.0	8.0	12.7	15.5	16.5	7.8	8.0	8.0
OECD-countries total ¹	3.3	5.5	7.0	9.1	10.5	12.0	5.7	4.5	5.0
OECD-countries total ^{1 2}	3.5	4.5	5.5	10.2	11.0	12.0	6.5	6.5	6.5

¹ Weights and exchange rates of 1970. ² Weighted by the share in German exports 1970. ³ Gross domestic product. ◦ Estimate rounded off to half per cents.

Source: OECD, EEC, national data, own estimates.

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