

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

Article — Digitized Version

World business trends

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1973) : World business trends, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 08, Iss. 10, pp. 323-324,
<https://doi.org/10.1007/BF02927761>

This Version is available at:

<https://hdl.handle.net/10419/138912>

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WORLD BUSINESS TRENDS

Trend of the World Economy

The extensive cyclical upswing of industrial production in the OECD-countries, which set in about one year ago, has hardly lost any of its speed until the middle of this year. The growth rate of more than 10 p.c., which emerged for the first six months vis-à-vis the corresponding period of the preceding year, was also representative for the strength of the expansion during the first half of the year. Once again, the lead of this development was taken by Japan whose industrial production rose by 18 p.c. within a year. At the same time the USA and West Europe registered increases of 9.5 and 8.5 p.c., respectively. Measured by the long-term averages of the specific expansion rates, however, the USA had the strongest increases while in West Europe the growth rate was as pronounced as in Japan.

With a rise of production of more than 10 p.c. during the first six months of 1973, Great Britain showed the strongest expansion among the most important West European industrial countries — according to the still incomplete available

data. This value reflects the strong economic recovery, but also a slightly excessive growth rate resulting from shortfalls caused by strikes during the corresponding period of the preceding year. Without this influence France would stand foremost with an expansion of its industrial output by roughly 9.5 p.c. This is particularly remarkable since France, in contrast with most of the other West European industrial countries, had not been seized by the economic downward trend of the years 1971/72. While the rise of production in the Federal Republic of Germany approximately corresponded to the West European average, Italy came last with barely 4 p.c. However, since the wave of strikes calmed down in April, growth rates are considerably higher again there, too.

Rising Utilisation of Capacity

The expansion of production, apart from Italy, to the above-mentioned scale was made possible only by a considerably rising utilisation of capacities. In general, this has not raised any difficulties up to now. Even

after the upturn of production, which has been lasting for a year or longer, in most of the industrial countries the use of capacities has not yet arrived at the upper limits, reached in previous boom phases. The most important exception is France, where — due to the more continual development of production — the degree of capacity utilisation was relatively high already at the beginning of the cyclical acceleration. On the other hand, after the slackness, which had been lasting for years, Italy now has extensive idle capacities at its disposal. Against this in Great Britain mobilisation of spare capacities seems to increase, so that first bottlenecks emerge.

Weak Reaction on Labour Markets

In the diverse industrial countries employment reacted in different ways to the rise of production. In USA industrial employment was by 5 p.c. higher than a year ago, in Japan it rose only slightly. In West Europe France registered a 2 p.c. increase, the Federal Republic only a small rise and Italy a 2 p.c. decline, while Great Britain's level was about the same. In the aggregate the cyclical upswing was reflected above all by a more or less distinctive rise in the number of vacancies.

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

Index and commodity group	1972		1973				
	August	November	February	May	August	August 31	Sept. 14
HWHA-Index * (1952–1956 = 100)	115.1	122.7	142.8	163.7	180.7	183.4	184.7
Foodstuffs	108.4	119.8	141.5	158.9	189.6	187.3	187.5
Raw materials other than foodstuffs ...	118.4	124.0	143.4	166.1	191.2	196.4	198.1
Fuels	130.2	130.4	137.9	153.3	155.0	154.8	154.9
Raw materials for consumer goods ...	106.5	123.9	153.9	171.8	209.1	223.9	216.3
Raw materials for capital goods	114.5	117.7	141.9	175.1	215.6	219.5	229.2
Reuters Index (18. 9. 1931 = 100)	586.5	675.7	827.1	905.4	1,175.1	1,185.8	1,185.7
Moody's Index (31. 12. 1931 = 100)	426.3	447.5	499.9	529.4	678.9	652.6	649.1

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

According to the development hitherto existing and to the prospects for the second half of the year, a growth rate of 10 p.c. can be expected for industrial production of the OECD-countries in 1973, i.e. the biggest rise since 1955. This calculation supposes that during the next months production will increase

at a lower rate than it did since last autumn. The loss of speed will result not only from the declining spare capacities but also from the effectiveness of restrictive economic policy measures. Therefore a distinct decline of the expansion can be foreseen in the industrial countries.

sidered to be needless. According to latest information a stock of 65,000 t is considered to be a strategic necessity in future. But in consideration of the US-lead industry the planned sales increase by the government will surely be limited. Anyhow, during the first quarter of 1973 already 16,000 t of lead were sold, but in the whole of 1972 only 38,000 t.

Raw Material Markets

Lead Prices Dropped Again

Lead participated also in the exorbitant price boom at the London Non-Ferrous-Metal Markets. In less than two weeks the cash price quotation for lead started up by 35 p.c. to 233.5 £/t, but almost as quickly it dropped again. The present cash price quotation of lead in London at 184 £/t is almost 50 p.c. higher than in August 1972. Taking the devaluation of the £ into consideration the price increase for nearly every consumer country was considerably lower.

In the USA price controls by the government prohibited an increase of the producer prices for a long time. Only in May/June lead works raised the price from 15.5 c/lb up to 16.5 c/lb; this increase by nearly 6 p.c., however, is only a small fraction of the price increase which could be noticed at London before. In view of the essential

cost increases — resulting from the strict environment protection stipulations concerning lead production — the producers consider the price level to be too low. But the general price stop of mid-June made further price increases impossible for some time. Even after its cancellation governmental controls would remain in force.

During 1972 in the Western World the lead production growth exceeded that of consumption so that the statistical basis of this market for 1973 was not favourable. Significant was that fixed prices had not been introduced although West European producers had planned it. The announcement of more sales from the American stockpile even brought the lead prices under pressure. On the whole, US-Government has stocks of 970,000 t, of which in spring 1973 490,000 t were con-

At present the basic supply situation on the lead market cannot be considered as being particularly strained. The production-growth was stronger in the first months of 1973 than before. This development should continue in the foreseeable future. Including the higher stockpile-sales the supply will intensify considerably. On the other hand, a smaller increase of consumption in the Western World is expected in the short run, which means during the second half of 1973. This is the result of an obviously diminishing growth of industrial production in the USA (i.e. motor-industries). So it is no surprise that the last speculation in lead passed by so fast. Appropriate market operations by the producers, however, should be able to preserve the present price-level for the time being.

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 Kerschull) and Stiftung Deutsches Übersee-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: (0 40) 35 62 500

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