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World business trends

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WORLD BUSINESS TRENDS

USA: Upswing Gained Ground

In the USA the improvement of business activity was markedly growing stronger during the summer months. Adjusted for seasonal variation, real GNP rose by more than 3 p.c. between the second and the third quarter (second quarter + 0.5 p.c.), i.e. at an annual rate of 13 p.c. During the last quarter of the year the upswing probably slowed down again. Thus the increase in industrial production flattened out at last, after during the summer half year it had been growing stronger from month to month. The improvement of the employment situation which had been progressing during the summer months, came to a temporary standstill in autumn. The upward movement in wages showed a further deceleration until autumn. After mid-year, the upsurge of living expenses which occasionally had accelerated, slackened again; between July and October they rose by 1.4 p.c. (April to June: 2.3 p.c.). In October they were still by 7.6 p.c. higher than one year ago.

The expansion of private consumption whose stimulation by

fiscal measures had initiated the turn in the cyclical trend, was still rising slightly during the third quarter. The increase was no longer stimulated by the growth in incomes. The households rather reduced their saving substantially after it had jumped in the second quarter in connection with tax refunds and increased transfers. Private house-building, too, was rising for the first time after its heavy decline over a long period. As against that with enterprises' investments there are only signs for the end of the decline. The strongest cyclical stimuli originated from arrangements for carrying stocks. About 60 p.c. of the increase in production resulted from the fact that stocks were reduced less than before.

No Further Increase of the Export Surplus

Probably above all owing to the cyclical stimulation within the country the import value increased by 11 p.c. from August to October as compared with the preceding three months. Simultaneously the export value rose by 6.7 p.c. — last but not

least due to higher grain shipments. For the first ten months of 1975 a favourable balance of \$ 9.5 bn could be registered (January to October 1974: — \$ 1.9 bn).

Prospect: Moderate Upswing

The economic policy authorities continue to strive for a moderate upswing only. In any case monetary policy now as before is directed towards preventing wider price increase margins. Next year the maintenance of fiscal relief measures is, however, probable in view of the bad labour market situation. Nevertheless at first private consumption will expand but moderately because disposable incomes adjusted for price will rise only slowly. Investment in stocks will also not lead to cyclical impulses as strong as hitherto. Simultaneously investment in fixed assets will gradually accelerate. For, in addition to the recovery in house-building the investments of enterprises will probably soon be stimulated together with the considerable improvement of their earning power. On the assumption that to begin with the inflationary forces do not increase noticeably, in the United States a rise in production is indicated which during the whole of 1976 will lead to a

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

Index and commodity group	1974	1975					
	November	February	May	August	November	Nov. 28	Dec. 12
HWHA-Index * (1952–1956 = 100)	321.9	290.9	269.4	267.2	259.5	258.2	266.8
Foodstuffs	365.4	277.4	211.2	215.7	200.7	195.9	193.0
Raw materials other than foodstuffs ...	300.9	297.4	297.4	292.0	287.8	288.3	300.0
Fuels	468.4	474.3	468.5	465.4	467.1	466.9	490.9
Raw materials for consumer goods ..	146.5	150.1	165.8	166.3	174.1	177.7	179.8
Raw materials for capital goods	237.1	219.4	214.7	202.9	184.8	183.9	189.7
Reuter's Index (18. 9. 1931 = 100)	1,239.2	1,093.3	1,074.5	1,171.5	1,135.5	1,143.2	1,155.0
Moody's Index (31. 12. 1931 = 100)	886.5	771.9	728.7	802.7	742.5	752.2	744.5

* Index compiled by HWWA-Institut für Wirtschaftsforschung-Hamburg. On Dollar-basis.

gradual improvement of the low utilisation of capacities. On an annual average a growth of GNP in real terms of approx.

6 p.c. will probably come about in particular owing to the high carry-over at the turn of the year.

up to 3.65 mn t. Although rubber production will prospectively rise by 8 p.c., it will again fall behind consumption by 3.5 mn t.

Raw Material Markets

Natural Rubber: Price Consolidation

For four weeks a slight price increase has been registered again on the world markets for natural rubber. The somewhat more intensive demand is probably to be seen in connection with the announcement of the rubber exporting countries to take up the talks about a stabilisation of the market already at the end of this year. At the beginning of December the London quotations of Standard Quality R.S.S.1 were with 35.9 p/kg by 38 p.c. higher than those of December 1974. But the fall of the exchange rate of the £-Sterling which happened meanwhile has to be taken into account when looking at this remarkable price rise. The New York quotation of natural rubber was with 29.8 c/lb the same as one year ago.

The statistical situation on the world rubber market has improved a little to the benefit of the producing countries up to now. According to estimates of the International Rubber Study

Group, the production of natural rubber was during the first seven months of 1975 with 1.873 mn t by 7 p.c. below that of the corresponding period of 1974. Consumption decreased by 3.5 p.c. to 1.997 mn t, so that there was a production deficit of 125,000 t. For the whole of 1975 the IRSG expects a total rubber production of 3.25 mn t and a total consumption of 3.48 mn t. The diminution of the world stocks of natural rubber connected with this, is obviously concentrated on the consuming countries. With the gradual surmounting of the recession in the rubber-processing industries in the western industrialized countries, the reduction of the processors' stocks has, however, obviously come to an end lately.

The cyclical upswing in the western world generally expected for 1976 will — according to estimates by the IRSG — be reflected in an increase in world rubber consumption by 5 p.c.

Apart from the growth of rubber consumption, a piling up of stocks by the processors might also contribute to an increase in demand for natural rubber. The chances of price increases should prevent the producers of natural rubber from adopting the intended supply restrictions. For, in case of a new boom in rubber prices, a shifting in the consumption pattern to the benefit of synthetics may be anticipated. Otherwise, basing on the present technological conditions, the market share of rubber might — according to calculations by FAO — expand essentially. This point of view seems to gain ground in the rubber producing countries more and more. According to the latest proposals, the planned buffer-stock shall not be 350,000 but only 100,000 t of natural rubber. Malaysia, one of the member countries of the Association of Natural Rubber Producing Countries (ANRPC), declared recently that the intentions towards a stabilising of the rubber price should not lead to the formation of a cartel.

Compiled by the Department on Business Cycles and Statistics of HWWA-Institut für Wirtschaftsforschung-Hamburg.

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