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## France: Suspended targets

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pects are good that the present upswing which has now been lasting for two years will substantially surpass in duration all its predecessors. Admittedly, it can not be ruled out that a general slackening of the world business trend could bring about the end of the current upswing in the Federal Republic. For the time being, however, there are no indications of such a development. Thus the upswing may well outlast the next year. At any rate it is by no means cogent that — in accordance with former experiences — its end must be near.

#### **... but no Major Increase in Employment**

Opposite to the positive aspects there is, however, a weighty negative one: at the low speed of the upswing employment increases only slightly, while unemployment — with the

growing number of persons earning, or seeking to earn, a living by gainful activity — shows no significant decline. It is only too easy to understand that this aspect — in view of the high unemployment figures — is regarded as much more important than the stabilisation and extension effect which after all brought the business cycle near to the long strived for ideal of "steadiness". A continuation of the upswing in the next year will certainly not be connected with a higher rate of growth of the real GNP compared with 1977. More likely is a slower expansion. The expansion of consumption, for instance, will be weaker since the increase in social insurance pensions has been cancelled and the saving ratio can be expected to increase again. Thus a fundamental improvement of the labour market situation in the next year seems unlikely.

#### **Increasing Unemployment**

The strike was also directed against an aggravating failure of economic policy — the increasing unemployment. Adjusted for seasonal variation the number of unemployed has again increased noticeably during the course of this year. The unemployment ratio (unemployed persons as percentage of all wage and salary earners) was above 6 p.c. in June. This development reflects in particular the weakening of the cyclical expansion which is to be traced back mainly to a slackening of the growth of domestic demand. Thus the expansion of private consumption declined together with a slower increase of wages, and the investments of enterprises should hardly have grown any more. Now as before external demand rose most strongly. Since, on the one hand, the increase of imports flattened similar to domestic demand, the aimed at reduction of the balance of the trade deficit was the so far most visible success of economic policy.

## **France: Suspended Targets**

In France the chance is dwindling that the Barre-programme as announced last autumn will obtain its targets. This applies above all to the main target — the slowing down of the price increase. The weakening of the upward trend of prices brought about by the price freeze in force until the end of December and the following reduction of the added value tax was succeeded by an unexpectedly strong acceleration. The programme itself contributed to this development as far as the price freeze applying to public utility undertakings up to the end of March led to a concentration of rate increases in April. The unfavourable price trend was partially also the result of extremely high price increases of fruit, vegetables and semi-luxuries.

True, there are good chances of a renewed calming down of the upward trend of prices originating from the ceasing of special factors and the reintroduction of a selective price freeze. But until the end of the year it will be difficult to reduce it even to the guideline recently revised from 6.5 to 8.5 p.c. To achieve this a diminution of the current annual rate of more than 10 p.c. during the last months to about 7 p.c. in the second half of the year would be required. Whether such a slowing down will be obtained is decisively depending on the further wage developments. Recently the labour force demonstrated their rejection of the policy of freezing real wages, which plays a central role in the Barre-plan, by a one-day general strike.

#### **Weak Investment Activities Continuing**

Due to the in general hesitating development of demand the Government could not maintain its growth target. It now expects for this year a growth rate of real GNP of 3.5 p.c. (previously 4.8 p.c.). This revision was particularly required owing to the only small increase of investments. During the winter-half of the year the propensity to invest deteriorated noticeably. In spite of the provision of additional investment credits an increase of only 1.5 p.c. in industrial fixed investments in real terms is anticipated for 1977. The recent release of ffrs 1 bn from the Fund for the Support of Economic Activity will not change much in this respect if only for temporal reasons. In addition it is difficult to anticipate to

which extent disappointed hopes for stabilisation and the internal insecurity about the outcome of next spring's parliamentary elections will impair the investment climate.

Private consumption, however, will probably still rise noticeably together with a slight increase of real wages – although more slowly than in 1976. Exports should expand at least as much as world trade (1977: + 7 p.c.). In the aggregate the growth rate of real GNP now expected by

the Government appears to be the upper limitation. Even if it will be reached the trend towards increasing unemployment will continue for demographic reasons. But the increase of the number of unemployed persons should be kept within relatively narrow limits through measures in the field of labour market policy – *inter alia* creation of jobs in the public sector, subsidisation of jobs for the young and the lowering of the retirement age.

processors apparently reacted upon the new situation by reducing their purchases as well as their stocks which they had increased before. The result was a steep downward movement of the London lead price.

In the further course of this year lead prices in London should change but insignificantly. For, in view of the cyclically-induced deceleration of the increase in lead demand the processors will find it not so soon necessary to extend their purchases again. In the whole year 1977 lead consumption in the Western world is unlikely to increase by more than 5 to 10 p.c., after 13 p.c. in the preceding year. Production will probably not grow at the same rate since above all the West European producers will strive for a reduction of their relatively large lead stocks (about 100,000 t at the end of May 1977). In the US the supply situation which – due to strikes in major lead works and the rapid reduction of producers' stocks – is somewhat narrow at present, will gradually improve again. However, a reduction of the American producers' fixed sales price is not to be expected.

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

## Raw Material Markets

### Quieting of Lead Demand

In the London lead market hectic price movements could be observed in the course of the last months (highest level: 438 £/t in early March; lowest level: 292 £/t; 332 £/t in mid-June). This reflected the rapidly changing assessments of the supply situation. In 1976 lead production in the Western world had risen by only 3 p.c. to 2.94 mn t while consumption increased by 13 p.c. to 3.00 mn t. The resulting 60,000 t deficit alone would have hardly caused supply difficulties and precautionary purchases, since at the beginning of the year 1977 producers and metal exchanges still disposed of substantial

quantities. Only large-scale purchases by the Soviet Union and subsequently also speculative purchases lead to the boom in London. In the US lead producers were able to raise their fixed sales price in the course of the first months of 1977 gradually from 26 c/lb to 31 c/lb, since the favourable trend in the automobile industry and the extremely hard winter had resulted in a heavy increase in the demand for lead for the production of batteries. After the fading of the special factors and in view of the general expansion of lead production in the Western world, sufficient lead supplies were expected again. The lead

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

Index and commodity group	1976			1977			
	June	September	December	March	June	July 1	July 15
HWWA-Index * (1952–1956 = 100) .....	291.7	262.7	297.8	331.2	320.1	323.6	321.9
Foodstuffs .....	227.0	207.9	236.8	298.0	281.7	289.2	288.9
Raw materials other than foodstuffs ...	322.9	289.2	327.2	347.3	338.6	340.2	337.8
Fuels .....	492.4	465.2	503.1	541.5	543.9	541.3	541.2
Raw materials for consumer goods ...	210.4	169.0	220.7	222.3	201.3	209.6	198.3
Raw materials for capital goods .....	228.9	193.8	222.8	236.8	225.3	226.7	228.1
Reuter's Index (18. 9. 1931 = 100) .....	1514.4	1477.3	1547.7	1730.1	1601.3	1576.7	1545.4
Moody's Index (31. 12. 1931 = 100) .....	856.3	828.4	846.4	958.3	890.7	880.8	883.4

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