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WORLD BUSINESS TRENDS

Slackening Business Activity

The slackening of world economic activity becomes evident in industrial production. While in 1973 its expansion rate reached almost 10 p.c. for the industrialised countries as a whole, it decreased to 2–3 p.c. during the first quarter of 1974 (compared with the preceding year; building trade not included). The current development seems to be even more adverse: adjusted for seasonal variation, industrial production has hardly changed its level since last year's late summer. This is the result of regionally opposite tendencies. While industrial activity – temporarily in connection with the oil crisis – fell off in Japan and the USA, it still increased in West Europe as a whole, though at a significantly lower rate than until last autumn.

Slower Growth in Western Europe

In the West European industrialised countries, industrial production on an average exceeded its corresponding value of the preceding year by about 4 p.c. (1973: 8 p.c.). There was, however, an extraordinary large span between an increment of roughly 11 p.c. in Italy – last

but not least due to losses conditional on strikes which had taken place in the corresponding period of the last year – and a decrease of about 3 p.c. in Great Britain. This can be traced back to the labour conflicts at the beginning of this year and the resulting temporary introduction of the three-day week. In most of the other countries growth rates of industrial production reached values between 5 and 8 p.c.; only in the Federal Republic the growth rate was substantially lower with roughly 1 p.c. In the course of this year, however, slackening tendencies have become apparent almost everywhere; in general they have been caused by the expansion of demand.

Relaxation in the Labour Market

As yet the development of job vacancies in the industrialised countries does not markedly reflect the cyclical downswing. Adjusted for seasonal variation, the number of vacancies has, however, generally diminished vis-à-vis last autumn. The easing of labour market conditions becomes more obvious in the relation between vacancies and unemployed persons, since un-

employment has more or less noticeably risen in these countries. But taken altogether, it is valid also for this ratio that the cyclical downswing has until now worked itself out only relatively slightly. It must be taken into consideration, however, that during the upswing unemployment had in most cases remained on a rather high level. Although the share of unemployed in the total labour force which recently amounted to roughly 2.5 p.c. in Belgium, Germany, France, Great Britain and the Netherlands, is hardly half as high as in the USA, a further – seasonally adjusted – increase might very quickly exceed the socially tolerable threshold.

Conflicting Aims of Economic Policy

If during the second half year industrial production would remain on the achieved level, the industrialised countries could for 1974 as a whole only register a 1 p.c. rise vis-à-vis 1973; in view of the approximate "zero-growth" in the USA and Japan, this rise would be exclusively due to an increment of still 3 or 4 p.c. in West Europe. The actual development will probably not differ very much from this result, all the more since economic decisions which are made in the next months, will take their full effect not before

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

Index and commodity group	1973		1974				
	July	October	January	April	July	August 8	August 23
HWWA-Index * (1952–1956 = 100)	183.7	202.6	241.3	312.1	301.3	305.4	306.9
Foodstuffs	178.7	190.9	214.0	250.1	255.2	274.3	285.8
Raw materials other than foodstuffs ...	186.0	213.6	254.5	342.0	323.5	320.4	317.1
Fuels	155.5	178.8	272.1	468.1	469.2	469.0	468.7
Raw materials for consumer goods ..	190.6	206.2	212.3	193.8	175.2	165.7	162.0
Raw materials for capital goods	213.6	253.6	265.4	315.7	277.6	275.8	269.7
Reuter's Index (18. 9. 1931 = 100)	1,073.0	1,183.2	1,416.1	1,375.4	1,246.2	1,259.6	1,273.1
Moody's Index (31. 12. 1931 = 100)	601.1	641.8	711.3	723.2	842.4	854.2	853.5

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

the next year. The signs are that growing unemployment will — in spite of the fact that prices are rising everywhere at an extraordinary rate — force politicians to take measures stimulating economic activity. In this

way the danger of a world-wide drastic recession could be banished in the short run; inflation, however, which also leads to an increasing economic and social instability, would be made even more difficult to fight.

American stockpile that reached already 21,000 t (1973: 19,000 t) at the beginning of this year.

Improvements in the supply situation and — promoted by this — the withdrawal of speculation from the tin market may indicate a further decrease in tin prices during the second half of 1974. For months already, producers are trying therefore to stabilize prices on a level as high as possible. Part of this effort are reiterating increases of the intervention prices since the beginning of the boom in the middle of 1972. But these prices are presently without any practical relevance, for the administration of the Tin Pool cannot sell out of stocks (because those are exhausted) although the market price is by 17 p.c. above the upper intervention price of the agreement. But should the market prices of tin decrease more steeply, the pool administration has the right to take up to 20,000 t of tin out of the market. Besides the producers have the possibility of export limitations. Recent objections by the American government to dissolve the excessive strategic tin stocks of 160,000 t totally have to be taken into account, too.

Raw Material Markets

Fluctuations in Tin Markets Continuing

During the first months of 1974 extensive speculative purchases on the world markets for tin produced a further strong price increase. On May 7, the cash price of tin at the London Exchange reached with 4,040 £/t the highest level in the history of the Tin Exchange. Since May, the tin price is subject of heavy fluctuations on a lower level between 3,200 and 3,900 £/t. Like on the other non-ferrous metal markets the price boom seems to have passed its peak. After a better supply situation became more and more evident tin is not bought at any price any more. On the other hand demand is still so large that the medium price level of the last months is with about 3,600 £/t by 85 p.c. higher compared with August 1973.

According to statements by the International Tin Council a tin-production deficit of 25,400 t came about in the Western

World in 1973; consumption increased by 11 p.c. up to 209,000 t while production diminished by 3 p.c. to 184,000 t. The deficit has been more than balanced by selling of tin by the American Stockpile Authority (which started again in the middle of 1973) and the international Tin Pool as well as by a reduction of stocks at the London Tin Exchange. This rise in supply, however, was not high enough vis-à-vis the speculative demand — which surmounts the current consumption — to prevent strong price increases.

For 1974 a substantial reduction of the production deficit has to be expected. For cyclical reasons tin consumption in the Western World will stagnate or even decrease. Stimulated by high prices, production will, on the other hand, increase considerably. The diminished production deficit will again meet much larger tin-sales out of the

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