

From the London End

Production in Europe

STATISTICS which have been recently made available show that for the first time since 1947 Industrial production in, almost all the countries of Europe is on the decline. Reviewing the economic situation in Europe during the first and second quarters of 1952, the last issue of the UN *Economic Bulletin* for Europe commented:

"Industrial production and employment as a whole fell or stagnated, even after allowance for the normal seasonal drop, in all the big West European industrial centres except France, increases in the industries supplying defence programmes being insufficient to off-set declines in the activity of those producing durable consumer goods both for home and export markets."

This stagnation continued in the months after June; it became more pronounced in fact and decline in production has now overtaken France also.

To a great extent, the decline can be explained by two factors, diversion of labour and other resources to rearmament industries and cyclical change towards recession, along with the revival of German and Japanese competition in a shrinking international market, already impaired by the exclusion of China and Eastern Europe. These changes have not left the United States unaffected. Although military expenditure here has not reached its peak yet, increasingly it is being doubted whether national expenditure on arms will be able to sustain the level of economic activity. In this context, the decision of the American Government to make cuts in its "off-shore purchases" programme (US buying of European produced arms and equipment) must be regarded as a reflection of the doubts whether the existing prosperity conditions are likely to continue.

The decline in industrial activity in the United Kingdom has been of more far reaching consequence. The *Manchester Guardian* wrote recently:

"The real situation is by no means promising. Industrial production is falling off rapidly. The trouble has spread beyond

the textile areas. Some of the important engineering industries are finding that they cannot sell all they can make, and there is a great deal of short time working."

Hitherto it was only textiles which had depressed the industrial production index—now the engineering industries also come under this category. And the two factors noted above have been of greater consequence to Britain than to any other European country. The rate at which labour and resources have been rushed to the engineering and heavy industries has been far beyond the rate of growth of these industries. Thus under the guise of frictional unemployment, large sections of the working population have found themselves just moving' instead of moving directly to another job. The impact of the revival of German and Japanese competition has already endangered a number of markets which have hitherto belonged to Britain. Markets like Brazil and the Middle East are no longer solely for British ex-

ploitation. The Germans have moved in with generous facilities like long-term credit and quicker deliveries. The effects of the changes in the international trading position of the United Kingdom on its level of industrial production have been more pronounced because foreign trade remains basically more important to the life of the British people than in other countries.

In the case of Continental Europe, in most of the smaller countries, the deficiency of demand following these changes has affected the production of consumer goods. There has been a definite decline in retail sales and in many countries, the level of retail sales fell to below that reached in 1950. The least signs of a depression in retail sales are perhaps to be found only in Switzerland. In the United Kingdom, Sweden and the Netherlands not only sales in clothing are depressed but the consumption of food also compares unfavourably with that in 1950. The indications in Europe for the New Year, in so far as economic matters are concerned, are decidedly not bright and unless something unexpected happens, the downward movement is bound to gather momentum.

West Europe: Industrial Production

		(1948 = 100)				
		1950	1951	June	1952	
					July	Aug.
Denmark	118	121	116	84	—
France	111	125	132	123	107
Italy	127	144	145	—	—
Norway	113	119	123	89	—
UK	114	117	110	102	—
All West Europe	116	124	119	107	—

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