

From the London End

Report on Production

INDUSTRIAL output in the United Kingdom in the first 10 months of 1954 was 5 to 6 per cent higher than a year earlier, so the Board of Trade reports. After seasonal correction, there was a rise of nearly 2 per cent from the first quarter to the second, from the second to the third the rise was about 1 per cent, and the estimate for October does not show much further improvement. Britain's advance in the first half of 1954 was therefore in line with that of Western Europe as a whole; it was much the same as that of France, Belgium and the Netherlands, among the major industrial countries.

Comparison with Rest of Europe

(1950 = 100)

	1953	1954 1st half	Per cent increase 1st half 1953 to 1st half 1954
W Germany	139	148	11
Italy	127	134	11
Netherlands	117	124	8
France	109	119	7
UK	106	116	7
Sweden	105	113	5
Belgium	112	117	5

In Western Germany the most rapid rise (first half of 1954 over the first half of 1953) was in motor vehicles and transport equipment in which a gain of 28 per cent was recorded against only 12 in Britain. In textiles, the German increase was greater than that of the United Kingdom, but not markedly so. In chemicals, it was in" against 12 in Britain. In almost all West European countries there were more than average increases in chemicals and transport equipment particularly motor cars, and less than average ones in textiles.

What are the factors that have contributed to expansion in production? In Britain three industries were particularly prominent in the increase: paper, vehicles and chemicals. They were, in order of their percentage increase, paper and printing with a 21 per cent rise, vehicles with 13 per cent; and chemicals with 12 per cent. Exports have made a varying contribution to this result. For paper, the increase in the value of exports was about in line with the output increase. In passenger cars, which have made the biggest contribution to the rise in

vehicle output, the home market was the predominant factor. Nearly 230,000 new cars were registered between January and July of last year. In chemicals, however, the volume of exports have risen more sharply than output and was nearly a quarter higher in the first six months of 1954-

Another substantial contribution to the real increase came from the big engineering, ship-building and electrical group which has been expanding in 1954 at about the average rate for all industries. The completion of merchant ships has been a post-war record. Industries where production has risen less than average include textiles, food, building and building materials.

Both exports, in which there has been a use of 9 per cent by volume and personal consumption at home, which has been 3 per cent higher in 1954, have contributed to the rise in output. Durable consumer goods have been selling more readily and sales of motor cars in the country have been a major factor in rising output. Greater building activity has stimulated output in the build-

ing materials and other industries but the growth of factory building and the increased flow of orders for plant have yet to show their influence in a marked rise in output from the engineering trades. It is here that observers look for further improvement, not least for its effects in fortifying the competitive power of the economy,

To what extent has the rise in output been derived from higher productivity? Employment in manufacturing production rose something like 2 per cent in the first half of 1954 compared to a year earlier. The production increase of 7 per cent, therefore, suggests that per capita productivity rose by about 5 per cent. Since further increases in employment is unlikely (in the current full employment situation) increases in production in 1955, other factors, remaining unchanged, will depend on further increases in productivity and this in turn will be determined at the rate at which capital equipment is increased. With high level of current investment, the possibilities for a further rise in productivity are very strong.

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