



**European
Community**

PRESS RELEASE

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FOR IMMEDIATE RELEASE

U.S. BUSINESS CLIMATE CHILLS COMMON MARKET EXPORTS

EUROPEAN COMMUNITY SEES WORLD TRADE SLOWDOWN

WASHINGTON, D.C., July 28, 1970 -- Demand for the European Community's exports has slackened as the U.S. economy has begun to cool off, according to the Commission's second quarterly economic report of the year, released July 24 in Brussels.

Despite the slackening of export demand, the Community's economy was growing briskly in late spring as internal demand picked up, especially from private consumers following massive wage increases. Imports have been growing faster, and the Community's trade balance has deteriorated. As supply failed to keep up with demand, businesses raised their investment goals to increase capacity.

In view of the strength of consumer demand, manufacturers have been able to pass on to their customers sharp cost increases that they have had for some time. As a result, consumer prices have continued to rise. For the full year, the rise in consumer prices could amount to from 4.5 to 6 per cent.

Gross Community product for the year was estimated at 6 per cent in real terms.

Outlook for 1971

The Community's economic outlook for 1971 depends largely on how long it takes to restore balanced growth. If internal demand and price increases cannot be curbed soon, the business trend could take a sharp dip later.

However, if economic stability were restored promptly, there would be a good chance of achieving high employment and production and a growth rate of 4.5 per cent. For this reason, the Commission said, every member of the Community must give priority to anti-inflationary policies.

U.S. Economic Outlook Uncertain

The U.S. economic outlook remains uncertain, with price increases persisting despite decreases in production and employment, according to the Commission's report.

During the remainder of the year, business investment will expand very moderately. Private consumer spending will probably increase in view of the increases in social security benefits and Government salaries, the repeal of the income tax surcharge on July 1, the easing of credit, and the Federal Budget deficit as a result of decreases in projected tax revenue.

In the Commission's view, even if production recovers in the second half of the year, U.S. gross national product will barely reach the level attained last year and could fall slightly below it. Imports may remain stable or fall slightly.

Economic recovery late in 1970 and into 1971 will have to be pursued in precarious conditions of internal as well as external equilibrium. Prudence in the monetary field will be essential, especially since the Federal Budget may run a sizeable deficit, the Commission remarked.

In early 1971, the overall growth trend of the U.S. economy will have little effect on employment or wages. Investment in capital goods will remain moderate, but imports could increase during the year.

U.S. gross national product in real terms could amount to 3.5 per cent in 1971.

The World Trade Outlook

Trade between industrial countries will continue to slow down this year, the Commission said, mainly as a result of the weakness of U.S. economic activity and restrictive actions that most industrial countries have taken. Economic buoyancy in the Community and in the United Kingdom will not stimulate the world economy enough to compensate for the restraining effects of the U.S. situation.

By the second half of 1971, economic expansion in the United States, the United Kingdom, and several other industrial countries should favor the growth of world trade. On the other hand, the Community's own internal growth rate and its indirect effects on imports from non-member countries are not yet clear.