Analysis prepared by the Economic Committee for Europe on European Economic Recovery (December 1946)

Caption: In December 1946, in the aftermath of the Second World War, the Economic Committee for Europe describes the level of economic recovery in the various European countries.

Source: Emergency Economic Committee for Europe. Statistical Bulletin, December 1946. London: Her Majesty's Stationery Office, 1946.

URL:
http://www.cvce.eu/obj/analysis_prepared_by_the_economic_committee_for_europe_on_european_economic_recovery_december_1946-en-8e9dad88-eb8c-40a8-9fca-f69612ff9e5f.html

Publication date: 04/09/2012

Emergency Economic Committee for Europe: Statistical Bulletin (December 1946)

Annotations

The main object of this publication is to give some indication of the rate of recovery in the various European countries. The following textual remarks are to be taken as a guidance in reading and interpreting the statistical information which makes up the main part of the publication.

As regards Europe as a whole, it is not possible to express the rate of economic recovery in a single figure or in any other quite plain manner, because the differences between the recovery in the various European countries are too great, mainly owing to the different extent to which these countries have been involved in the war, and the consequent variations in the amount of war damage, etc. Furthermore as regards each individual country, there emerge substantial differences in the development of the various main branches of the economic activity, agriculture, manufacturing industries, transportation, etc.

It is therefore necessary to consider, briefly, each of these main branches separately, taking the geographical variations into consideration.

Notwithstanding the above reservations, it may be said that shortage of fuel remains the most significant factor in the European industrial economic recovery, affecting in a decisive way almost every aspect of economic life, although to somewhat different degrees, in practically every European country; most seriously and directly manufacturing industries, but also transportation and, indirectly, agricultural production.

I — Fuel

Before the war, the total consumption of solid fuels in Europe outside the U.S.S.R. amounted to approximately 45 million tons per month. Europe as a whole was self-sufficient in fuels and was, in fact, a small net exporter.

During the first half of 1946, the monthly consumption, in the same countries, was of the order of 37 million tons per month, *i.e.*, about 20 per cent. below the pre-war average. These figures, although to some extent based on estimates, probably give a better indication of the economic situation in Europe today than can be obtained from any other single statistic.

This overall indication is, however, to some extent, misleading, as it does not expose very big variations between the countries concerned. Before the war, the United Kingdom was consuming roughly one-third of the above-mentioned total European consumption figures, and the United Kingdom is probably the only country in Europe which has been able to maintain, even slightly increase, her fuel consumption in the first half of 1946 compared with the pre-war average. The picture for all continental European countries, excluding the United Kingdom, is quite different, the average monthly consumption during the first half of 1946 being slightly more than 20 million tons compared with about 30 millions before the war, *i.e.*, a reduction of roughly one-third.

This very low consumption of fuel is due to the fall in European production owing to shortage of skilled labour in the coal mines, to insufficient nourishment, especially in Germany, to lack of machinery and equipment and, to some extent, to transportation difficulties.

In some countries, 1946 employment has been above the pre-war level, but production per manshift in all significant countries is down, bringing the total output below the pre-war level.

The big decrease in European production has, since the end of the war, to some extent been offset by an increase in imports from the United States. These imports, which in pre-war years were insignificant (*e.g.*, 56,000 tons per month in 1940), totalled 322,000 tons a month during 1945, and increased to over 1 million tons a month during the first half of 1946. During the first half of 1946, the total European

production of hard coal alone was 12–13 million tons less per month than pre-war production, and it will be seen that the American exports to Europe only cover a rather small fraction of the deficit. However, at the existing low consumption even these limited supplies from the United States are of very great importance to the European economy, and their importance can be well illustrated if measured against the total exports of solid fuels from the European main exporters (Great Britain, Poland, Western Germany, Belgium, Netherlands and France). These exports amounted to 17.5 million tons during the first half of 1946, as against American exports to Europe of about 7.5 million tons([1]).

II — Industry

General indices of industrial production are not available for all countries, nor even for all important producing countries (*e.g.*, the United Kingdom).

[…]

Of the European countries, Sweden is the only important country whose industrial production about the middle of 1946 was running steadily above the pre-war (1939) level. The overall industrial production of the other European countries shown in the table was rather lower than in 1939.

On the other hand, production in the United States was more than 50 per cent. above the 1939 level, although since 1945 there has been a considerable decrease. As already mentioned, however, the picture given in this table is incomplete; the overall impression would be different if all countries were included. For example, inclusion of the United Kingdom would result in a more favourable picture, whereas the inclusion particularly of Germany but also of the South-Eastern countries, for instance, would produce a less favourable picture.

[…]

... it may be mentioned that general industrial production in the summer of 1946 has been estimated at about 70 per cent. of pre-war in Poland, and at about 60 per cent. in the Netherlands([2]).

[…]

In the middle of 1946, iron and steel production was below the pre-war level in most European countries, the exceptions being Sweden where production was above pre-war and United Kingdom where it was about the normal level([3]). Before the war Germany was by far the greatest iron and steel producing country in Europe, in 1938 accounting for nearly half the total production of pig-iron and steel in Europe, exclusive of U.S.S.R. In the summer of 1946, however, Germany was only producing in the neighbourhood of 10 per cent. of her pre-war (1939) iron and steel quantities. It is thus not surprising that *the total iron and steel production in Europe (exclusive of the U.S.S.R.) in the summer of 1946 was only less than half the 1939 level. If the United Kingdom is excluded, the production in the remaining countries, exclusive of the U.S.S.R. was only 25–30 per cent.*. This fact alone shows how far the European economic life in the middle of 1946 was still removed from anything like a normal state; and the situation must be regarded still more serious when account is taken of the fact that the need of iron and steel is now greater than before the war, if war damage and the necessary upkeep neglected during the war are to be made good.

The low level of European iron and steel production is partly due to lack of trained manpower, but also to the non-renewal of plant during the long war period, while the Potsdam Agreement represents a very important factor limiting the total potential European iron and steel production. However, the most important single factor hampering the iron and steel industry is the fuel shortage described above.

III — Agriculture

With respect also to European agriculture, the period since the end of hostilities is characterised by production far below the pre-war level and far below the needs.

The total crop production of cereals in all European countries outside the U.S.S.R. (United Kingdom included) in 1945 was only about 60 per cent. of the pre-war average. In spite of a remarkable increase from 1945 to 1946, in the order of 20 per cent., the 1946 crop is still far below the normal level (probably only about 75 per cent. of the 1935-38 average), and below European needs.

[…]

Before the war, Continental Europe imported about 10 per cent. of her requirements of foodstuffs from overseas, whereas United Kingdom imported about 75 per cent. of its requirements. The tabulated cereals figures show the extent to which European dependence upon supplies of foodstuffs from non-European countries has increased since the war. This applies not only to cereals but also to other important agricultural products.

The latest available information from the International Emergency Food Council gives the following picture of the 1946–47 world food situation.

World food production is still noticeably below pre-war, particularly on a per capita basis.

Meat production in the next 12 months may be only slightly less than pre-war, but what is available for consumption is likely to be somewhat less than in the 12 months just ending. *European* meat production will during the next 12 months probably be 8 to 8½ million tons as compared to 12 million tons pre-war, *i.e.*., a reduction of about one-third.

World production of *sugar*, during the 12 months just beginning, may be about 30 million tons as compared to just over 27 million tons in the year just ending.

World production of *fats and oils* (including butter) available for consumption during 1947 appears likely to be about 18 million tons against just under 18 million tons in 1946 and a pre-war average of about 22 million tons.

As to *cereals*, it seems likely that world *wheat* production may reach almost pre-war level in 1946–47 and should be 16–19 million tons more than production during the preceding year. The net increase in world wheat supply this year as compared to last year is, however, probably only in the neighbourhood of 5.5 million tons because of the decline in world stocks during 1945–46.

More than offsetting this net increase in world wheat supplies is the unfavourable *rice* prospect.

The lack or shortage of other foods — fats, proteins and the like — have increased the requirements for cereals as a balancing item.

Some preliminary calculations have been made indicating that in order to bring calorie levels in importing counties back to pre-war, about 43 million tons of cereals would be required. In contrast, the prospectively available supplies appear likely to be in the neighbourhood of 25 to 26 million tons of cereals of all kinds, including coarse grains. Actual requirements which have been submitted to the Committee on Cereals total about 33 million tons. These requirements in many instances would not be sufficient to bring calorie consumption in claimant countries up to a pre-war level. Importing countries would like to obtain and would be prepared to pay for at least 35 million tons for food and feed.

Importing countries almost universally will have to continue bread rationing, high extraction ratios, and other measures designed to limit the quantity of cereals used for food consumption, and will be able to make little progress in the rehabilitation of livestock production.

IV — Food consumption

Notwithstanding the fact that it becomes more and more difficult to estimate the total calorie intake covering rationed as well as non-rationed foodstuffs, as more unrationed food becomes available, it has been felt necessary to present also in this issue a table showing the calorie intake of rationed and non-rationed foods. The main sources used are the same as those mentioned in the July issue, namely:—

(1) Information received from the Combined Working Party on European Food Supplies.

(2) Information presented for the Emergency Conference on European Cereals Supplies, held in London, April, 1946.

(3) Information from the United Kingdom Ministry of Food (Overseas Economic Intelligence Service), especially the monthly surveys on rationing schemes and food consumption levels in various Continental European countries, issued by this Department of the Ministry.

(4) The publications "Food Consumption Levels in the U.S., Canada and the U.K." (this only as far as figures for the U.S. are concerned).

The figures for the war and post-war periods are based on the official rationing schemes, the calorie intake being computed by use of the conversion factors adopted by the Combined Working Party. To this the estimated calorie equivalent of non-rationed foods has been added, in many cases after consultation with the Governments concerned. As mentioned above, these estimates are becoming increasingly uncertain.

[…]

In the last half of 1945, in a considerable measure due to shipments of reserve stocks, a great improvement in consumption levels was registered in a number of European countries — Belgium, France, Netherlands and Norway. This improvement, however, did not continue in 1946 as a result of the food shortages, which made it necessary to lower the expected level of food imports during 1945–46.

The situation in other countries, especially in ex-enemy countries, has continued unsatisfactory or become even dangerously unfavourable.

F.A.O. has indicated a calorie level of 2,000 as the minimum to prevent the most serious under-nourishment and the danger of civil unrest. Especially in ex-enemy countries, this minimum level has not been reached. The situation in the United Kingdom, in the countries that were neutral, and in Denmark, though somewhat less favourable than pre-war and in 1943–44, is relatively satisfactory.

The U.S.A. shows the highest consumption level and is the only country with a calorie intake of over 3,000.

V — Transportation

A. Shipping

The European Merchant Navy, at the end of August, 1946, was at about 60 per cent. of its pre-war tonnage. Countries have suffered to a varying extent. Taking into account all types of vessels of 500 G.T. and over, Italy retains only about 10 per cent. of her pre-war tonnage, Greece about 30 per cent., France about 45 per cent., Holland, Norway, Belgium and Denmark 60–70 per cent. The British Empire, in spite of very heavy losses, had about 90 per cent. of the pre-war tonnage at end of August, 1946.

On the other hand, the United States Merchant Navy has increased to a tonnage not far from 5 times that of pre-war.

The effect of the decrease of the European, and the increase of the American, Merchant Navy has been that the European share of the World Merchant Navy has been reduced from two-thirds to one-third, and at the same time, the American share has risen from about 14 to about 56 per cent.

The fact that a very great part of the world tonnage sails under the American flag calling for high freights in dollars creates a limitation on many types of transport for countries which, like most European countries, are short of dollars.

B. Inland Traffic

In spite of very considerable reconstruction and improvement of the European traffic system, transportation difficulties are still to a great extent hampering the economic recovery of Europe.

Rail transport is still far from its pre-war level and below the present needs. Lack of locomotives and rolling stock are serious problems to most countries on the European continent.

Road transport is in better condition and can in several European countries satisfy current needs, in spite of shortage of certain types of vehicles, tyres, spare parts, etc.

There has been considerable progress in restoring national systems of inland waterways. Transport on the principal international rivers is, however, still far behind the pre-war level and far from the current needs. Shortage of materials is hampering the full use of the production capacity of the yards.

(1)The total American exports of solid fuels to all countries were more than double the quantity exported to Europe.
(2) Source: "Preliminary Report of the Temporary Sub-Commission on Economic Reconstruction of Devastated Areas", set up by the United Nations' Economic and Social Council.
(3) In the United States of America, due mainly to strikes, production in the first half of 1946 was only about the 1939 level, having been about 50 per cent. above this level in 1945.