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Brisk expansion of world trade

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WORLD BUSINESS TRENDS

Brisk Expansion of World Trade

After in the second half of 1967 all countries' (excluding the East-bloc) foreign trade turnovers surpassed those of the previous year by but 3 per cent, the corresponding increase in the first quarter of 1968 again reached about 7 per cent.

Incentives from Western Europe

Demand for imports expanded almost exclusively in industrial countries. In the USA this was most pronounced, where in the first four months of 1968 import values surpassed the previous year's corresponding ones by 17 per cent (second half of 1967: + 2 per cent). Besides the vigorous cyclical stimulation also strikes (copper) or expected strikes (steel) as well as anticipated impediments to imports contributed to this trend. Also Western Europe was again the source of incentives to world trade. In the first quarter of 1968, import values were by 7 per cent higher than those of the previous year (+ 3 per cent). But severally, there were considerable differences. Thus the Netherlands, Belgium and the Federal Republic of Germany with 13 to 15 per cent showed growth rates far above average. On the other hand, in some cases the value of imports did not reach the preceding year's level, apart from Italy—where, however, statistical-technical influences played a certain part—mainly in less developed countries like Spain, Yugoslavia and Finland.

Particularly the industrial countries enjoyed the benefits of the

stimulation of demand. Thus in the first quarter of 1968 the export values of continental European economies surpassed the previous year's comparable level by a total of approx. 12 per cent (second half of 1967: + 5 per cent). All major industrial countries showed but minor deviations from this rate. In comparison, Britain's export proceeds, measured in dollars, remained below the previous year's corresponding level. This was a reflection of price reductions abroad for British goods, caused by the devaluation, since the country's export volume simultaneously rose by 5 per cent. Among the industrial overseas countries, particularly Japan achieved a vigorous growth rate of exports amounting to 15 per cent (after + 5 per cent) in the first quarter of 1968, while in the USA it was quite insignificant with 4 per cent (after + 2 per cent).

Export Position of DCs

In the first months of the current year, the overseas suppliers of raw materials were obviously least favoured by the expansion of demand. Thus in the first quarter of 1968 Australia's and New Zealand's exports dropped considerably below the previous year's corresponding level. In the first estimates of the IMF the developing countries' export proceeds are hardly assessed at a higher value than a year ago. However, the data on which these estimates are based are still very fragmentary. In any case, the industrial countries' corresponding imports sug-

gest a better development of the less developed countries' exports. In the past year, too, the export results—due to the recovery in the second half-year—were somewhat better than previously assessed, although the increase with 3 per cent was much smaller than in 1966 (+ 7 per cent).

The raw material countries' imports in the first quarter of 1968, according to first estimates did not reach the previous year's corresponding level—as had already been the case in the second half of 1967. According to the now available statements of the developing countries, in 1967 their total imports still surpassed those of 1966 by 4 per cent—due alone to the vigorous growth in the first half year—but this, too, means a bisection of the growth rate. The most recent tendencies, however, are delineated too unfavourably owing to the comparison with the preceding year.

The less developed countries' demand for imports should continue growing in the near future, as their exports show a rising tendency and their currency reserves dropped but slightly below the relatively high level of mid-1967. In the second half-year, however, the export position of raw material producers will again become more unfavourable due to a cyclical decline in the USA (to be brought about mainly by the planned tax increase). The West European countries, too, have to anticipate a deterioration of export prospects for the same reason. With that the expansion of West European demand will become decisive for the expansion of world trade.

Also allowing for a decline of imports in the USA, growth of world trade may be assessed at 7 to 8 per cent in nominal terms

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

Index and commodity group	1967			1968			
	May	August	November	February	May	May 24	June 6
HWWA-Index 1 (1952—1956 = 100)	92.6	90.5	94.2	99.6	95.0	95.6	94.4
Foodstuffs	87.8	83.5	87.9	91.8	90.8	91.2	88.1
Raw materials other than foodstuffs	94.9	93.9	97.3	103.4	97.1	97.7	97.4
Fuels	95.0	95.3	96.5	96.4	96.0	96.0	96.0
Raw materials for consumer goods	91.7	89.7	89.4	92.7	92.4	92.4	92.6
Raw materials for capital goods	96.9	95.2	103.3	117.6	101.3	102.9	102.0
Reuter's Index (16. 9. 1931) = 100	438.6	420.7	456.6	510.9	488.9	494.7	488.8
Moody's Index (31. 12. 1931 = 100)	372.7	367.2	362.8	361.8	364.6	365.4	368.3 *

¹ Index compiled by the Hamburg Institute for International Economics. ² June 6, 1968.

(after 5 per cent in 1967). This underlines the important experience gained in the last months, i.e. that the concussions of the world monetary system hitherto did not impair the international exchange of goods seriously. True, the price for this was another unfavourable development of the balance of payments in the USA

and Britain. In view of the usual delays as regards the carrying through of economic (rehabilitation) measures and their taking effect, this development has not been unexpected. But in the next half year success must become evident or the menacing dangers will grow serious also for the world trade system.

223,000 lgt, 153,000 lgt of which were imported by the USA. The major part of its consumption surplus of 349,000 lgt the USA met by means of stockpile purchases and consumer stocks. As a whole, production in the Western world in 1967 increased by 8.4 per cent to 4.78 million lgt, and consumption—affected by the trend of economic activity—dropped by 6.7 per cent to 4.91 million.

Raw Material Markets

Increasing Uncertainty In the Copper Market

The fall in prices in the international copper markets in connection with the successive resumption of work in the American metal industry did no longer continue during the last weeks. The cash price for wire rods at the London Metal Exchange—which on the peak of the boom caused by the strike at the beginning of March had been 820 £/lgt—has been moving between 442 and 482 £/lgt since the end of April. The disagio for forward transactions has meanwhile shrunk from approx. 170 £ to approx. 10 £, which indicates that at present direct supply difficulties are no longer apprehended.

The boom in copper prices early this year had its main origin in the strike of the American

metal workers, which—only after eight and a half months' duration—could finally be settled early in April and which caused a production loss of 1.3 to 1.4 million sh.t. Moreover, currency speculations at the beginning of March as well as the escalation of the Vietnam war forced copper prices up. After these factors tending to raise prices had largely lost their influence, the decline in copper prices was nevertheless limited, because it took nearly one month, until production in the USA had again somewhat normalised.

Without the strike in the USA, already in 1967 a production surplus would have arisen in the Western world. But under these circumstances, only outside the USA there was a surplus of ca.

The uncertainty concerning the further development of copper prices has intensified during the last days, because of the new price policy of the most important producers. Lately, prices for regular buyers are no longer oriented to the forward quotation but to the cash quotation for wire rods. Thus, producers intend to enable themselves to influence the development of copper prices without disturbances by the speculation in futures. For instance in case of a further decline of copper prices due to the growing adjustment of production to consumption, they could effect backings. However, up to now it is rather doubtful, whether they will indeed intervene and—should the case occur—at which price level.

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