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Higher growth rate of world trade

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WORLD BUSINESS TRENDS

Higher Growth Rate of World Trade

In the first half of 1968 the development of world trade was marked by a continuous cyclical expansion. All countries' foreign trade (excluding the East-bloc members) surpassed the previous year's corresponding values by about 7 to 8 per cent, after an increase by 5 per cent in 1967. The growth rate would have been even more pronounced if there had not been a number of special factors obstructing it noticeably. Taken together those factors had a considerably higher influence than e.g. British shipments recovering at the beginning of the year. Apart from the cheapening effect that the sterling devaluation has on British foreign trade values if sterling is converted into dollars, what is involved is delayed deliveries caused, on the one hand, by the disturbances in France and, on the other, by tariff reductions pending in a number of European countries as of July 1, 1968, and also by the comparatively small number of workdays in June. The first results of July are frequently already showing a corresponding rise.

Import Pull in the US

Import demand was growing strongest in North America. Here Import values—mainly due to the rapid expansion in the USA—surpassed their previous year's corresponding level by 18 per cent. In this development the cyclical factors, as e.g. particularly the pronounced growth of demand for foreign cars, were completed by stockpiling purchases of steel caused by strike risks eliminated only

at the beginning of August. Different from the USA the growth rate of Japanese imports (1968: +12 per cent) is reflecting the expansion up to the end of the past year. Thereafter, however, Japan's imports stagnated on a slightly lower level even, due to the influence of restrictive measures.

Import values of West European economies showed the lowest growth rate with approximately 5.5 per cent in the first half of 1968, because here the above mentioned special factors had been most effective. They also contributed to the formation of the big differences between individual countries. While e.g. in Belgium, the Netherlands and the Federal Republic of Germany imports had been rising by 9 to 13 per cent, France had a growth rate of but 1 per cent. However, including July, it already showed a growth rate of more than 5 per cent again. In Britain, though, the increase of the dollar value of imports by a good 4 per cent only does not indicate a growth rate of the import volume amounting to more than twice this figure.

Export Boom in Japan

Above all Japan has been favoured by the expansion of import demand. In the first half of 1968 this country's exports surpassed the previous year's level by 20 per cent. The increase of North American export values is a reflection particularly of Canada's deliveries (+16 per cent), above all those to the USA. North American exports

to the rest of the world rose but slightly. On the other hand, in Western Europe internal trade as well as exports to other regions rose likewise. Here again the growth of export values by 6 per cent on average is handicapped by the already mentioned special influences. Leaving Britain out of the picture suffices alone to raise the growth rate of the continental economies to 8 per cent.

However, the industrial nations' increasing demand stimulated not only their mutual trade but favoured also the raw material countries' deliveries. This first did not apply so much to the developed ones among them (Australia, New Zealand, South Africa), whose exports in the first half of 1968 surpassed those of a year ago by 3 to 4 per cent only, but mainly to overseas developing countries. The industrial nations' (OECD) imports from them rose by 9 per cent in the first five months of 1968, and here above all supplies from Asia and Africa, while those from Latin America increased less. True, total exports of overseas developing countries should not have expanded at the same rate, but the acceleration as compared with the previous year is quite obvious.

At the same time also imports of overseas developing countries, that in the 2nd half of 1967 hardly continued growing, have risen again considerably. In any case the industrial nations' corresponding deliveries have been invigorated noticeably. The previous year's comparable level was surpassed by almost 7 per cent in the first 5 months of 1968.

Prospects of Slower Expansion

The developing countries' relatively favourable reserve position will enable another increase of their imports also in the 2nd half

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

Index and commodity group	1967		1968				
	August	November	February	May	August	Aug. 30	Sept. 13
HWHA-Index 1 (1952-1956 = 100)	90.5	94.2	99.8	95.0	94.3	94.4	94.3
Foodstuffs	83.5	87.9	91.8	90.8	86.5	86.6	85.7
Raw materials other than foodstuffs ...	93.9	97.3	103.4	97.1	98.1	98.1	98.4
Fuels	95.3	96.5	96.4	96.0	96.5	96.5	96.6
Raw materials for consumer goods ..	89.7	89.4	92.7	92.4	93.5	93.0	92.8
Raw materials for capital goods	95.2	103.3	117.6	101.3	102.8	103.3	104.1
Reuter's Index (18. 9. 1931) = 100	420.7	458.6	510.9	488.9	479.9	476.6	478.8
Moody's Index (31. 12. 1931 = 100)	367.2	362.8	361.8	364.6	357.7	359.1	361.8

¹ Index compiled by the Hamburg Institute for International Economics.

of 1968, although their export prospects are declining. The foreseeable recession of demand in the USA should deprive international trade of its strongest incentive. A compensation for it by a corresponding acceleration of West European demand is not to be anticipated although the incentives originating from this area will pre-

vent a too pronounced reduction of the expansion of world trade. Its growth rate for the whole of 1968 should therefore reach 7 to 8 per cent in nominal terms—taking shiftings from the 2nd to the 3rd quarter into consideration. For the coming year, however, there are indications of a smaller growth rate.

ing the country's own consumption of 9.5 mn bales and its exports of 4 to 4.5 mn bales. In the other countries an expanding production is also anticipated—although at a much lower level—due to the comparatively high prices.

In 1967/68 world consumption of cotton rose more slowly than before by 0.6 mn bales to 52.5 bales, because a vigorous expansion of consumption in Asia was opposed by a declining one in the USA and Western Europe. In 1968/69 a larger increase of consumption than in the preceding year is hardly to be expected.

The total supply of cotton stemming from production and stocks will therefore decline further also in 1968/69, but it will still surpass demand considerably. However, declining prices are not to be anticipated since stocks in producer countries are considered as "normal" ones and therefore will not be thrown on the market at any price.

Compiled by the Department for Business Trends Research of the Hamburg Institute for International Economics

Raw Material Markets

Cotton Prices Slightly Depressed

Since February 1968 prices in the international cotton markets decreased somewhat due to larger offers from Southern producer countries and more careful purchases by importing countries. At the Bremen Cotton Exchange, however, the price at DM 2.80 per kg still surpassed the previous year's level by about 5 per cent.

Due to the production decrease in the USA the statistical situation in the world cotton market has basically changed in the last two crop years of 1966/67 and 1967/68. Until August, 1968, the cotton stocks pressing on prices declined by 50 per cent to 7.0 mn bales

in the United States, and by one third to 20.5 mn bales in the whole world. With regard to medium- and long-staple sorts a certain shortage even set in resulting in a price increase lasting for almost two years.

In the new season of 1968/69 the USA intends to expand again its production considerably in order to cover the probable demand for its own consumption and exports, and to avoid a further—this time unwelcome—decline of stocks. But even if production should really be increased by 50 per cent to 11 mn bales, a production deficit would remain in the USA consider-

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