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Accelerated increase of world trade

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WORLD BUSINESS TRENDS

alternation of the private and fiscal capital flows that was surely only of temporary character.

Accelerated Increase of World Trade

Since the middle of the year the expansion of world trade has rapidly increased. After the foreign trade of all countries (except the Eastern Block Countries) surpassed during the first half of 1968 the previous year's corresponding values by more than 7 per cent, the equivalent increase during the 3rd quarter of the year was twice as high. Different special factors contributed decisively to this development, especially the catching up of deliveries that had been delayed, in part as a result of the strikes in France, in part in expectation of customs tariffs reductions for the July 1, 1968.

Furthermore, in September, the im- and exports in the USA were precautiously promoted, since a strike of the dock workers was feared. Overall, world trade increased from January to September 1968, when compared with the year before, by around 10 per cent. This rate should also be nearly reached for the whole year (1967 = +5 per cent); it surpasses considerably the original expectation, and mirrors the strong upward economic trend of the Western World.

This expansion in World Trade is the more astonishing, since it coincided with a sharpened tension in currency affairs during the current year. Nevertheless, some problematic shiftings in the development of net effects were perceived in the balance of trade of important industrial nations. When the figures from January until Septem-

ber 1968 are compared with the ones of the year before, the export net gains of the USA declined considerably, (using the in other countries usual calculation to cif-values a considerable deficit showed), and the import surpluses went once again up in Great Britain. Corresponding trends of activity were to be registered especially in Continental Europe, and here mainly in Italy, but also in the remaining world economic system. This applied to Japan and Canada in the same way as to the countries producing raw materials. It is to be said, though, that this yearly comparison does not reflect the development actually observed in some important countries any more.

United States

In the USA the balance of trade has again—seasonal influences excluded—risen mildly since the middle of the year. Apparently the calming down of the demand for import goods contributed to this as a consequence of the light slackening of the upward economic trend after the strike of the steel workers had been avoided. This change in tendency in foreign trade was decisive also for the improvement in the balance of payments during the 3rd quarter of the year. But its considerable improvement during the whole period January-September—\$0.8 bill. deficit as compared with \$1.8 bill. one year ago (both figures adjusted for seasonal variation)—was solely due to an

Great Britain

In Great Britain the balance of trade—adjusted for seasonal variation—has continually been improving since spring. This was due to the strong increase in exports, evoked in part by the devaluation of the pound, but also by the general demand expansion in important foreign markets. At the same time the imports increased only slightly, although the brake effects expected from devaluation were weaker than originally anticipated. Since the development of the balance of capital was relatively unfavourable, the improvements on the way towards restoration of the balance of payments remained behind targets. Therefore more measures were introduced; taxation of consumption goods was increased and above "import deposits" for semi-finished and finished goods (1967 = 44 per cent of the imports) were made compulsory. The "import deposits" implicate interest costs equivalent to an import burden of 4 to 5 per cent.

France

After a nearly total recovery of the losses that resulted from the disturbances during spring, the imports—from January to September—were 8 per cent and the exports 10 per cent higher than the corresponding values of 1967. Recently, though, it became clear that the imports showed a much more rapid increase rate than the exports, compared with the months before the strike. Apparently the expectation that this tendency would continue has increased the currency troubles in France. The measures taken by the gov-

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

Index and commodity group	1967	1968					
	November	February	May	August	November	Nov. 29	Dec. 13
HWHA-Index¹ (1952-1956 = 100)	94.2	99.6	95.0	94.3	96.9	97.3	97.5
Foodstuffs	87.9	91.8	90.8	86.5	91.5	92.0	91.5
Raw materials other than foodstuffs ...	97.3	103.4	97.1	98.1	99.5	99.8	100.3
Fuels	96.5	96.4	96.0	96.5	96.7	96.7	96.7
Raw materials for consumer goods ..	89.4	92.7	92.4	93.5	94.8	94.5	94.1
Raw materials for capital goods	103.3	117.6	101.3	102.8	105.4	106.6	108.2
Reuter's Index (18. 9. 1931 = 100)	456.6	510.9	488.9	479.9	504.1	508.8	515.1
Moody's Index (31. 12. 1931 = 100)	362.8	361.8	364.6	357.7	365.5	368.1	366.2

¹ Index compiled by the Hamburg Institute for International Economics.

ernment to reshape the taxation system—besides other restrictions and the control of exchange—have by rough estimations nearly the same effect as a devaluation by 2 per cent would have had. Under certain assumptions about the expected reactions it can be assumed that the increase in imports will be impaired twice as much, while the effects on the French export proceeds should be small.

The measures decided upon by Western Europe will in the

international trade tend towards a balance movement in favour of France and Great Britain and against the Federal Republic of Germany. At the same time the economic trend in the industrial countries, especially the anticipated demand damping in the USA, is expected to produce a noticeable slow down in the expansion of world trade. In the yearly average—statistically influenced by the rapid improvement since the middle of 1968—it still should increase 1969 by nearly 8 per cent.

it would surpass production considerably.

This new deficit could theoretically still be covered by the old stocks, whose volume should by the end of 1967/68 have been about 250,000 t. But, besides the fact that a certain quantity of cocoa has to be kept on stock in the producing and consuming countries to guarantee the continuous course of trade and processing, a part of the old stocks should not meet the quality requirements of the processors. Even considering the high price level at the moment, a market regulation by means of the existing stocks must be questioned, since then additional speculative purchases are to be expected.

On the other hand there is a limit to a continuous rise in prices. The higher prices for cocoa will increasingly restrain the consumption of cocoa, so that at an even higher price level a "relaxation" of the market situation will take place. But in the short run the critical situation on the cocoa market will change little.

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

Raw Material Markets

Boom in the Cocoa Market

Since the middle of August 1968 the prices on the international cocoa market show a strong upward tendency, while during the preceding 1½ years relatively little change had taken place in the price level. At the moment the price for Ghana-cocoa at the New Yorker Exchange lies at 47½ c/lb; it has gone up by 50 per cent as compared with the price before the boom began.

The increasing prices on the cocoa market are mainly due to the fact that for the fourth con-

secutive year the demand will lie considerably higher than the level of production. Following the predictions of the FAO and the US-Ministry of Agriculture that heavy deficits of production would occur during the current season 1968/69, the London firm Gill & Duffus now forecasts the deficit at 174,000 t. The production will go back according to this prediction by 10 per cent to 1.187 mn t. The consumption shall also be lower 1969 by 2.5 per cent compared with 1968, but with 1.361 mn t

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