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WORLD BUSINESS TRENDS

World Trade: Growth by 25 p.c.

In the fourth quarter of 1969, world trade continued expanding vigorously; foreign trade turnovers of all countries (without East-bloc states) have been higher by about 14 p.c. than one year before. This growth rate could be reached for the whole year 1969, too. It characterises the rapid cyclical expansion of world economy outside the USA, but at the same time also shows the economic tension. For, the acceleration (increase 1968: 11.5 p.c.) only reflects the increase of prices of goods internationally marketed. Nevertheless, the growth remains unusually strong even if one ignores price influences. Accordingly the volume of foreign trade has expanded by almost 25 p.c. within two years.

Imports Reflect „Differences in the Business Cycle“

The strongest impulses in 1969 originated from the Continental European economies. In this connection, the more than proportional increases of imports by 22 to 25 p.c. (measured in US-\$) in the three EEC-countries Federal Republic of

Germany, France and Italy are of particular importance. Due to the close trading ties within Western Europe, the import boom in this area in 1969 coincided with a vigorous growth of exports of Western European countries, although with 17 p.c., compared with 1968, it was noticeably smaller than imports. In contrast to this, Japan was able, as already in 1968, to augment its exports once more by 24 p.c.

Developing Countries: Exports Profiting

Among the raw material producing countries, Australia and New Zealand were stimulated most strongly. In the overseas developing countries exports, according to data available, as already in 1968 increased once more by 9 p.c. This expansion exceeded the longer-term average of about 6 p.c. considerably. Decisive for this was the strong price rise in the world raw material markets. The growth of imports in the raw material countries in 1969 lagged noticeably behind that of exports. So, import values of the group of

countries of Australia, New Zealand, and South Africa in 1969 rose—despite a vigorous acceleration in the second half of the year (13 p.c. above the corresponding result of the previous year)—by a total of 8 p.c. only. Imports of the overseas developing countries obviously expanded at a somewhat smaller rate. True, the unchanged growth, as compared with the year before, slightly surpasses the long-term average but keeps within relatively narrow limits, if one considers the further increased currency reserves of the developing countries.

Prospect: Reduction of Imbalances

The development of world trade flows in 1969 has, at least by tendency, made for a diminishing of existing imbalances. The most important exception was the further expansion of Japan's surplus position. But apart from this, the worsening of the total Continental European trade balance had a positive effect for the raw material producing and especially the developing countries as well as for the USA and Great Britain. Since, moreover, also France after the devaluation in August, 1969, has surprisingly rapidly reduced its trade balance deficit, the development of world trade is supposed, no longer

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

Index and commodity group	1969				1970		
	March	June	September	Dezember	March	March 26	April 10
HWWA-Index¹ (1952–1956 = 100)	100.0	103.9	105.4	108.7	110.8	111.1	111.0
Foodstuffs	94.3	95.4	94.3	98.4	101.7	101.9	102.0
Raw materials other than foodstuffs ...	102.8	108.0	110.8	113.7	115.1	115.5	115.4
Fuels	96.5	96.4	95.6	96.8	99.2	99.2	100.6
Raw materials for consumer goods ..	91.6	92.9	92.3	93.9	92.6	93.0	92.8
Raw materials for capital goods	116.7	129.8	138.6	144.4	146.3	147.2	145.5
Reuter's Index (18. 9. 1931 = 100)	524.4	534.6	532.3	555.2	565.5	569.6	565.8
Moody's Index (31. 12. 1931 = 100) ...	377.5	397.1	407.5	415.7	421.0	416.5	416.0

¹ Index compiled by the Hamburg Institute for International Economics.

to be "made erratic" during the current year by direct politico-economic interventions and should be determined still more intensively by cyclical impulses.

In 1970, too, the strong demand expansion in Western Europe will be a decisive factor, although in the further course of the year, dampening influences will become noticeable. On the other hand, the trend towards recession in the USA will hamper its imports especially in the first half of the year. The growth of imports in Japan will continue undiminish-

edly, and the raw material countries will, in view of their relatively favourable reserve position, be able to raise imports in the near future at the same rate as hitherto. As the level of world trade turnover, already reached at the end of 1969, without a further expansion would mean an increase by about 6 p.c. for the whole year of 1970 compared with the previous year, a growth rate of world trade by about 10 p.c. in the current year should be the result—in spite of, as a whole, declining cyclical impulses.

pressure of the American tin processing industries, if the Tin Council does not succeed in preventing a price rise exceeding the upper intervention limit of 1,605 £/t, being at present valid. The relatively meagre stocks, which are still at the disposal of the pool manager, are, however, not supposed to suffice in order to counteract—at a continuous supply deficit—a further price increase.

An easing of the market position, with a presumably slowly expanding tin production, is above all to be expected from the demand trend in the USA. The restriction policy of the US-Administration should in 1970 lead to a noticeable slowdown of consumption growth in this country, or even to a stagnation, and—due to the outstanding importance of the USA within the group of tin consumers—to a corresponding relaxation in the world tin market. Moreover, a decrease in net exports to the socialist countries of Eastern Europe and Asia, which in 1969 had considerably grown, will perhaps raise the market supply distinctly.

Raw Material Markets

Uncertainty in the World Tin Market

At the end of March, the tin price in Penang reached the highest level since 1970. Also in London the cash price has risen for the first time in six weeks to more than £1,590 per ton and was thus by about 15 p.c. higher than one year ago, but was distinctly lower than at the turn of the year 1969/70. The vehement price movements of the last months, moreover, are reflecting the uncertainties of the market partners about the interventions of the International Tin Council to be expected in future as well as about a revival of sales from US stockpiles.

At the beginning of March the GSA had 23,700 t at its disposal for selling in the American tin market. By means of deliveries from these stocks it might be possible to ease bottlenecks in supplies which originated from the restriction policy of the Tin Council. Due to considerations of foreign policy, American Administration offices show, however, at present hardly any propensity to take up again the stockpile sales for commercial purposes, which had been stopped at the end of June, 1968. But this attitude may change under the

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