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World Trade Growing Vigorously

The cyclical expansion of world trade continued during the first months of this year with the same rapid speed as before. This trend indicates the steadily strong expansion of demand in most industrialised countries without North America. In this context the increasing price rise plays a remarkable role meanwhile also in the international exchange of goods. Compared with the previous year, however, the growth of world trade is—due to the disturbances experienced during the strike of the dock workers in the USA in that year—overrated. Total foreign trade turnovers of all countries (without East-bloc countries) were in the first quarter of 1970 by 17 p.c. higher than one year before.

Incentives above all from West Europe

The special influences induced by strikes are visible above all in the USA themselves. Its import values were by ap-

prox. 28 p.c. higher in the first quarter than one year before; but adjusted for seasonal variation they had risen by less than 5 p.c. for half a year. In contrast to this the import growth of 29 p.c. in Japan actually corresponded to the cyclical development of imports. The biggest contributors to the expansion of world trade in absolute terms were, however, again the economies of Continental Europe; their import values (in US \$) in the first quarter of 1970 were by together 18.5 p.c. higher than in the corresponding period of last year, whilst the growth in Great Britain remained at 4 p.c. Among the raw material producing countries Australia, New Zealand and South Africa with 18 p.c. registered an extraordinarily vigorous increase of imports.

Highest Export Growth in Japan

Even more distinct are the distortions in exports: in the USA, it exceeded in the first quarter of 1970 the correspond-

ing level of the previous year by more than one third; adjusted for seasonal variation, however, —similar to imports—a rise of barely 5 p.c. was registered within half a year. Among the other industrial nations Japan again showed with 23 p.c. the highest export growth. In the West European economies export values in the first quarter had augmented by 17 p.c. as a whole; and Great Britain—in contrast to the preceding years—was even slightly above this average. Australia, New Zealand and South Africa reached a growth of exports of 14 p.c.

Accelerated Export Growth in LDCs

Foreign trade in overseas less developed countries, exclusive of the normal seasonal variations, since the beginning of the year, has obviously increased with an accelerated speed. This in any case is indicated by the corresponding regional foreign trade figures of the OECD countries, which—due to a lack of topical data by the developing countries—have to be consulted. True, these growth rates, compared with the first six months of last year, are also considerably distorted due to the relatively great share of the USA in the foreign trade of the developing countries (1968: 21 p.c.).

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

Index and commodity group	1969			1970			
	June	September	December	March	June	July 10	July 24
HWHA-Index ¹ (1952–1956 = 100)	103.9	105.4	108.7	110.8	110.5	109.3	109.0
Foodstuffs	95.4	94.3	98.4	101.7	102.3	101.9	101.8
Raw materials other than foodstuffs ..	108.0	110.8	113.7	115.1	114.5	112.9	112.5
Fuels	96.4	95.6	96.8	99.2	107.5	108.8	108.8
Raw materials for consumer goods ..	92.9	92.3	93.9	92.6	93.8	94.7	93.8
Raw materials for capital goods	129.8	138.6	114.4	146.3	135.5	129.4	129.0
Reuter's Index (18. 9. 1931 = 100)	534.6	532.3	555.2	565.5	559.3	559.0	571.4
Moody's Index (31. 12. 1931 = 100) ...	397.1	407.5	415.7	421.0	411.6	413.0	407.3

¹ Index compiled by the Hamburg Institute for International Economics.

But the figures adjusted for seasonal variation make a distinct revival of imports and exports, after a short interruption in the expansion at the end of last year, visible.

In 1969, exports of developing countries in terms of value had risen by more than 9 p.c. Import growth, however, was considerably weaker last year. Its values rose in 1969 probably by 7 p.c. at most compared with 1968. The currency reserves of developing countries increased in 1969, together with the reduction of the import surpluses, even more strongly than in the preceding year. At the beginning of 1970 a further growth by leaps and bounds was experienced of

which, however, more than half was caused by the allotment of special drawing rights in the IMF.

The development of world trade will also in the further course of this year get strong incentives above all by the vigorous demand expansion in the economies of Continental Europe and Japan, whereas there will be only small impulses by Great Britain and North America. Simultaneously the raw material producing and especially the developing countries should raise their imports with the same speed as in the previous year. Total world trade turnovers will in 1970 exceed the value of 1969 presumably by 11 p.c.

authorities. In terms of statistics the supply in rubber in 1970 would be by 85,000 tons higher than consumption.

A recovery of rubber prices would perhaps be possible at the end of this year, if and when in the USA a cyclically induced revival of demand might be started. The increase in rubber consumption, which would then have to be expected, above all for the tyre industry, could coincide with the wish of processors to refill their stocks.

A remarkable element of uncertainty in price developments of the rubber market are the wage disputes in the US automotive industry. In case of a longer-term strike in this branch of industry, prices in the world rubber markets will probably fall further because of the production loss in the tyre industry. In the months following such a strike the mentioned cyclical revival in rubber processing in the USA should, however, be strengthened by the coverage of the backlog demand for motorcars. Prices of natural rubber, according to this, should at the end of the year reach at least the level registered at the moment.

Raw Material Markets

Further Decrease of Rubber Prices

In the international markets of natural rubber, since early February this year prices have fallen under considerable fluctuations. At present, natural rubber in London and New York is quoted with 21 d/lb and 20 c/lb, respectively, by 20 to 26 p.c. lower than one year ago.

The background of this new decline in prices in the rubber markets is to be found in the steady improvement in supply. In 1970, for the first time since

1956, world rubber production will slightly exceed consumption. The International Rubber Study Group supposes that in 1970 production will rise by 4 p.c. to 2.99 mn tons. Consumption should grow by barely 1 p.c. only to 2.95 mn tons, so that a production surplus of 40,000 tons will be created. Moreover, rubber sales from the American stockpile will again be taken up. Altogether, in 1970 about 45,000 tons (1969: 38,000 tons) will probably be sold by the US

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