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WORLD BUSINESS TRENDS

Boom in World Trade

The expansion of world trade adjusted for seasonal variation has accelerated still in the first half of 1970. The foreign trade turnovers of all countries, excluding the East-bloc states, were by about 15 p.c. higher than a year ago, after a growth rate of almost 14 p.c. already in 1969 (all values in US-\$). Even now about one third of the growth fell to the share of price increases. Recently the acceleration of the upward trend in prices in international trade is alone to be noticed in the sector of manufactures whilst since May the prices of raw materials on average declined considerably even. A so pronounced encroaching of price increases in industrial countries on world trade is extremely unusual. Decisive for this has been the worldwide spreading of the present inflationary tendencies.

Incentives from Western Europe and Japan

The incentives for the extraordinary expansion of world

trade originated from the economies on the Continent (i.e. excluding Britain). In the first half of 1970 their import values were 19 p.c. higher than a year ago. Including Britain, too, whose imports rose by but 8 p.c. at the same time, Western Europe registered a still above average growth rate of import values. Only in Japan with 29 p.c. this growth rate was considerably higher still. Relative to the slow expansion of total demand, in North America, too, the import growth rate was remarkably high with 11 p.c.

Less differentiation was to be noticed in exports of industrial nations. In the Continental economies the previous year's corresponding values were surpassed by a total of 17 p.c. in the first half of the year, in Britain by more than 14 p.c. With these growth rates, however, the European export values did not only lag behind that of Japan reaching 22 p.c., but also in North America exports

rose by more than 19 p.c. within a year.

LDC's: Increasing Imports and Exports

The developing countries' imports have obviously been stimulated extraordinarily in the current year. Their value a year ago was surpassed by at least 11 p.c. The developing nations' exports, according to the corresponding data on imports of the industrial states, in the first half year have also grown rapidly again. However, the registered increase by 13 p.c. as compared with the previous year might be exaggerated, since in contrast to the supply values it also contains the considerably higher shipping charges. Growing trade deficits of less developed countries may be all the more expected. This trend will continue if only due to the effects of declining raw material prices on export proceeds. For the time being the developing countries can tolerate this tendency in view of their currency reserves so far having grown quickly still. Their reduction would, however, very soon lead to restrictive import policies.

Future Expansion Slower

The prospective demand development in industrial countries let us expect a slowing

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

| Index and commodity group | 1969 | | 1970 | | | | |
|---|-----------|----------|-------|-------|-----------|--------|---------|
| | September | December | March | June | September | Oct. 2 | Oct. 16 |
| HWWA-Index ¹ (1952-1956 = 100) | 105.4 | 106.7 | 110.8 | 110.5 | 108.4 | 108.3 | 107.5 |
| Foodstuffs | 94.3 | 98.4 | 101.7 | 102.3 | 103.4 | 103.3 | 104.6 |
| Raw materials other than foodstuffs ... | 110.8 | 113.7 | 115.1 | 114.5 | 110.8 | 110.7 | 108.9 |
| Fuels | 95.6 | 96.8 | 99.2 | 107.5 | 110.6 | 111.9 | 111.9 |
| Raw materials for consumer goods .. | 92.3 | 93.9 | 92.6 | 93.8 | 93.4 | 91.7 | 91.8 |
| Raw materials for capital goods | 138.6 | 114.4 | 146.3 | 135.5 | 122.8 | 122.2 | 117.3 |
| Reuters Index (18. 9. 1931 = 100) | 532.3 | 555.2 | 565.5 | 559.3 | 560.6 | 558.0 | 555.9 |
| Moody's Index (31. 12. 1931 = 100) ... | 407.5 | 415.7 | 421.0 | 411.6 | 415.9 | 403.9 | 398.3 |

¹ Index compiled by the Hamburg Institute for International Economics.

down of international trade expansion for the second half of 1970. Decisive for this is the assumption that in Western Europe the upward impulses should not be as strong as hitherto, while in the near future but minor import impulses are to be anticipated from the stimulation in the United States. Even then in 1970 world trade turnovers will be 14 to 15 p.c.

above their level a year ago. Only next year a noticeable reduction of growth rates will be connected with a continuation of the above mentioned tendencies—together with an again more cautious import policy of the less developed countries; although a growth rate of about 10 p.c. for 1971 is quite in accordance with present economic anticipations.

for 1970 should only temporarily exercise a pressure upon the sugar prices. After all, the not fully utilised export quotas within the scope of the International Sugar Agreement are supposed to have reached in the meantime 800,000 t, and from this total only 125,000 t have been distributed upon exporting countries which dispose of reserve quantities of sugar suited for exports. Taking under consideration the about 675,00 t that have thus been withdrawn from the market by the cleared export quota, a new increase of sugar prices is not out of question.

Raw Material Markets

Sugar Prices Remain Stable

The prices on the international sugar market have been relatively stable during the last months due to the International Sugar Agreement. In New York prompt commodity of the world contract No. 8 is at the moment being noted with 3.76 c/lb.

According to the third estimate of F. O. Licht, during the past season 1969/70 ending at the end of August a somewhat bigger production surplus as foreseen has resulted in the world sugar economy. Although sugar consumption increased by 4.5 p.c. to 72.2 mn t, production expanded by 7.7 p.c. to

73.4 mn t. As a result, world sugar stocks increased by 1.0 mn t to 20.6 mn t from August 1969 to August 1970. The strong expansion of world sugar production is mainly the result of the strong rise of sugar production in Cuba. The country's planned target for the season 1969/70 of 10 mn t was not reached, but the sugar harvest was with 8.5 mn t considerably higher than the result obtained during the season 1968/69.

The present increase of sugar stocks and the recent upward revision of the estimated sugar production in Western Europe

On the other hand it can be expected that the International Sugar Council will take stronger action if the price should actually approach again 4 c/lb. The Council could then accelerate the redistribution of the export quotas which have not been used up to now by some countries, and could additionally let the overall export quota, which until now has only been released up to 90 p.c., be completely utilised.

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

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