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WORLD BUSINESS TRENDS

creased by 12.5 p.c. (1970: 15.6 p.c.).

World Trade Trends

In the 1st quarter of 1971 the foreign trade turnovers of all countries (without East European countries) surpassed by 11 p.c. those of a year ago. The decline in the growth rate, that had reached a total of 14 p.c. in the preceding year, reflects the cyclical slowing down of the expansion of world trade, which could already be noticed during the last year. In the first months of this year the international exchange of goods—adjusted for price—should still have been higher by 6 to 7 p.c. than a year ago. No doubt it has thus still increased considerably more than world production as is shown by the growth rate of the industrial countries' GNP of 3.5 p.c. in 1971.

Imports Marked by Cyclical Differences

These slackening tendencies originate above all in the West European economies. Since the end of last year their imports have been rising only moderately, although a comparison with the previous year's corresponding period for the industrial countries still shows a growth of imports by 13 p.c. (1970:

+16.4 p.c.). The influence of cyclical retarding factors is even more distinct in Japan, where the increase in imports came to a stop already last autumn, and only the traces of the preceding boom are reflected in a growth rate of hardly 11 p.c. (1970: +25 p.c.). As against this, the USA's imports in the course of the cyclical stimulation during the first quarter of 1971 increased more heavily than is shown by their growth rate of 11 p.c. as compared with the previous year (1970: +10.9 p.c.).

Regarding exports there has been a marked acceleration above all in Japan since the turn of the year; their growth rate reached 22.9 p.c. (1970: +20.8 p.c.) during the first quarter of 1971. The Japanese industry is obviously trying more intensively to balance in foreign markets the slowing down of domestic demand. In the USA, on the other hand, in spite of insufficient utilisation of the economic potential, exports were only by 9 p.c. higher than a year ago (1970: +13.7 p.c.). Simultaneously the exports of the West European countries in-

Worsening Terms of Trade for LDCs

The LDCs export proceeds, more than 50 p.c. of which are obtained in Western Europe and Japan, have also been distinctly influenced by the cyclical slow down in these regions. Their exports to the OECD-countries did not grow anymore since last autumn. In the first quarter of 1971 the result of the previous year's corresponding period should, however, have been surpassed by about 9 p.c. still. As to its volume this increase is higher than that of the remaining world trade, since the average values of the LDCs' exports stagnated due to the pressure on prices in the raw material markets from spring 1970 on. On the other hand, the LDCs' import prices rose strongly, so that the "exchange value" of their export deliveries (terms of trade) decreased noticeably. In the second half of 1970 it was by 3 to 4 p.c. lower than a year ago. The LDCs' import expansion declined already in the course of the past year. Nevertheless imports from OECD-countries in the first quarter of 1971 should still have been about 10 p.c. higher than a year ago (1970: +14.4 p.c.), as regards their volume, however, only by a good half of this rate.

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

Index and commodity group	1970			1971			
	May	August	November	February	May	June 11	June 25
HWWA-Index ¹ (1952–1956 = 100)	111.4	108.2	108.4	108.8	109.1	108.2	108.6
Foodstuffs	102.8	102.4	105.9	108.4	104.4	103.2	104.9
Raw materials other than foodstuffs ...	115.5	110.9	109.5	109.0	111.4	110.6	110.5
Fuels	105.9	109.5	113.6	112.9	113.6	113.6	113.8
Raw materials for consumer goods ..	93.2	94.0	92.1	93.2	97.0	95.9	95.3
Raw materials for capital goods	140.4	123.9	117.2	115.7	118.9	117.5	117.3
Reuter's Index (18. 9. 1931 = 100)	563.8	557.1	555.9	540.4	529.6	525.7	527.9
Moody's Index (31. 12. 1931 = 100) ...	413.7	409.9	386.0	388.9	376.6	376.9	376.2

¹ Index compiled by the Hamburg Institute for International Economics.

1971: World Trade Growing by 11 p.c.

For the further development of world trade in the course of this year the assumption is of decisive importance that the speed of cyclical expansion—and with that the import increases in Western Europe—will not change considerably. In North America import increases will hardly accelerate considerably again, unless a prolonged strike in the US-steel industry causes bottlenecks in supply. Only in Japan a cyclical stimulation of imports is to be anticipated. As compared with that the raw material producing countries will rather try to limit

their import increases in view of declining export proceeds. On the whole, these deliberations justify the expectation of an increase in world trade by nominally 11 p.c. and by about 7 p.c. in real terms. The weaker internal economic trend in several important export countries should lead to intensified export efforts and thus again to an intensification of international competition in prices. But in 1971 the total price increases of raw materials will not lag anymore behind that of industrial products due to the abrupt advance in mineral oil prices. In the short-term, however, no remarkable stimulation of the LDCs' imports will result from this.

Copper consumption should increase by 5 p.c. in 1971 as compared to 1970. This estimate takes into account that copper consumption in the USA will increase noticeably until the end of the year due to the economic recovery and that a demand revival will take place in Japan. If at the same time copper production would be expanded with more caution than up to now, it could come to a gradual reduction of the price depressing stocks.

A somewhat exact assertion about the future development of copper production is scarcely possible. The danger of a labour strike in the US copper industry has apparently decreased after the rapid compromise that was reached in the aluminium industry, which will serve as a guide for management and labour. If it actually comes to a labour strike, however, then a copper supply shortage of considerable weight would be registered in the market. It is also difficult to judge if Chile will be able to carry through its plans to increase its yearly copper production by 12 p.c. In the African states Zambia and Congo yearly growth rates of only 4–5 p.c. have been planned.

Raw Material Markets

Hectic Price Movements on the Copper Market

On the copper market it has come since March/April 1971 to a strong speculation wave due to the fact that the members of the market are expecting supply difficulties and higher prices because of a possible strike in the copper industry of the USA. In the meantime, the danger of production losses is not considered to be so immanent anymore, so that the prices dropped again, but showing considerable fluctuations. At the present time the cash price for copper at the London Metal Exchange lies

with 462 £/t by 7 p.c. still higher than the level registered at the beginning of the year.

During the year 1970, the copper stock increased considerably because of the stagnation in consumption (5.7 mn t) and the quite remarkable production increase by 4.6 p.c. to 6.1 mn t. The involuntary stock increase continued during the first months of 1971, since production continued to expand and the expected demand revival lasted only a short period.

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

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