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WORLD BUSINESS TRENDS

Expanding World Trade

The expansion of world trade slowed down during the last year. While the foreign trade turnovers of all countries (excluding the Eastern socialist states measured in dollar) rose by more than 14 p.c. in 1969 and 1970 each, this growth rate declined to 11 p.c. in 1971. In the course of the year this reduction was even much more pronounced. This was a reflection mainly of the consequences of the prolonged dockers' strike in the USA. It is therefore almost impossible to quantify short-term effects of the American import impediments lasting from August to December and of the monetary troubles during this period. The slowing down of world trade expansion—relative to the whole of 1971—did not originate from the USA in spite of the disturbances caused by the strike. For, in the course of the cyclical recovery the growth rate of the US import value increased. This is to be compared with a pronounced reduction of demand particularly in Japan. In Western Europe the increase of import values also declined.

The developing countries' import expansion dropped only slightly in 1971.

Stagnating US Exports

In 1971 the development of US exports was accurately the opposite of that of imports. Their growth rate dropped to 2 p.c. only (after 14 p.c.). Simultaneously Japan's export growth rate still rose to 25 p.c. (after 21 p.c.). In the West European economies the export values at 13 p.c. grew somewhat slower than in the preceding year (16 p.c.). The export situation of the developing countries as a group was also relatively more favourable in 1971. Their deliveries to industrial nations—calculated in accordance with the import values of the latter—increased by about 10 p.c. (after 13 p.c.). This average value is, however, misleading. For, the OECD countries' imports from the Middle East nations—considerably influenced by the increase in crude oil prices—surpassed the previous year's level by about 40 p.c., while the sup-

plies from other developing countries rose by 3 p.c. only.

Last December's currency realignment changed the relations in the exchange of goods and services between the individual economies partly rather considerably. However, the adjustment process following now needs some time, according to experience made formerly even between two and three years. They will mainly influence the direction only of the flows of trade and services, not so much their total volume. The prospects for the development of the industrial states' GNP justify the anticipation that the expansion of the world trade volume will in 1972 even be larger than in the past year, all the more so since the abolition of the American import impediments and the imminent extension of the EEC have similar effects. Under these circumstances it will be decisive whether and to what extent the industrial nations' propensity to import will change.

In view of this constellation of expansive factors no smaller expansion of the world trade volume is to be assumed for 1972 than came about in 1971 (6 p.c.). World trade extension in nominal terms, as measured in dollar, will even accelerate again. The calculated effect alone of the inflation of foreign

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

Index and commodity group	1971				1972		
	March	June	September	December	March	March 17	April 7
HWWA-Index * (1952–1958 = 100)	105.0	104.2	106.5	110.0	118.6	118.0	118.6
Foodstuffs	102.9	99.7	97.7	104.5	116.4	114.0	112.2
Raw materials other than foodstuffs ...	106.0	106.4	110.8	112.6	119.7	120.0	121.7
Fuels	113.8	114.8	125.0	124.6	128.5	128.5	132.0
Raw materials for consumer goods ..	88.2	90.1	94.6	102.9	114.0	114.6	117.4
Raw materials for capital goods	110.3	109.0	107.6	107.2	114.8	115.0	114.2
Reuter's Index (18. 9. 1931 = 100)	532.8	525.7	508.9	525.8	557.0	559.4	548.5
Moody's Index (31. 12. 1931 = 100) ...	378.1	376.5	361.3	373.6	394.9	396.3	396.6

* Index compiled by the Hamburg Institute for International Economics. On dollar-basis.

trade turnover as conditioned by the revaluations vis-à-vis the dollar is estimated at about 7 p.c. for 1972. The price component of world trade expansion will therefore be even noticeably larger in 1972 than in the two preceding years and exceed the real component. An

import of inflation induced this way can, however, only be assumed in those countries whose currencies were not revalued at all or less than the dollar prices of their imported goods increased. These are mainly the USA and the developing countries.

sumption, must be added to the supply from current production.

Further development of wool prices depends mainly on whether there will be soon the expected increase of current wool consumption. If this is not the case the manufacturers will consequently give up further restocking. The price increase would then come to a standstill. But because of the lasting and strong cyclical expansion in the USA a stronger increase of wool consumption is expected there in the near future. In Japan and Western Europe it may start during the second half of 1972. Under these circumstances the increase of wool prices may continue during this year, though at a lower rate. This seems even more probable since production will hardly increase in the new season 1972–73. In the foreseeable future pricing in the wool markets will not be influenced by the cooperation in wool sales which is planned by the big three among the producing countries, Australia, New Zealand and South Africa. On their last conference in Wellington only possibilities were under discussion concerning the producers' position vis-à-vis wool trade and manufacture.

Raw Material Markets

Strong Increases of Wool Prices

In the international wool markets prices have risen strongly during the recent months due to extensive purchases of the manufactures in the main consumer countries. In Bradford Merino wool is presently quoted at 112 p/kg and Crossbreds at 88 p/kg, which means an increase by 28 p.c. and 36 p.c., respectively, as compared to the beginning of December 1971. By this the price depression lasting for more than two years and initiated by a decline of wool consumption in 1970 and 1971 has come to an end.

The strong revival of demand in the wool market is mainly due to the restocking of the extremely low stocks in the consumer countries. This results from the realignment of the exchange rates as a consequence of which exchange risks have declined and business outlooks for the Western World during 1972 have improved. The Japan-

ese wool manufactures realised extensive precautionary purchases of raw wool in Australia in the beginning of this year. Manufacturers in other countries followed soon as they were anxious about further price increases. The fact of a weak cyclical revival of wool consumption in the main manufacturing countries in the fourth quarter of 1971, the first time for quite a while, also stimulated demand for wool.

In view of ample wool supply the price increases have been unexpectedly strong: For the season 1971–72 only a small decline of wool production in the world is expected, a reduction of 1 p.c. to 3,450 mn lbs (washed) as compared to 1970–71. Considerable unsold stocks, that have been compiled by the Australian and South African wool commissions during the period of declining wool con-

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