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WORLD BUSINESS TRENDS

Accelerated Expansion of World Trade

In the first quarter of 1972 world trade again expanded vigorously. This is indicated by the expansion of the international exchange of goods between the developed countries in the Western World, whose contribution to world trade amounts to more than 70 p.c. These countries' foreign trade turnovers measured by US \$ rose by 19 p.c. as compared with the first quarter of 1971. This high growth rate vis-à-vis the previous year is highly inflated by the devaluation of the US \$. Besides distortions caused by the dockers' strike in the USA contributed to this year's exceptional growth rate in world trade. Taking the currency revaluations in the most important industrialised countries vis-à-vis the US \$ into consideration — measured by the share in world trade of 1970 it amounts to about 7 p.c. — world trade expanded by 11 p.c. However, the expansion of the

trade volume is even smaller, since the growth rate includes price increases in national currencies of import and export goods.

Growth also Cyclically Conditioned

In spite of distorting influences also cyclical stimulations in world trade are revealed by a detailed observation. Above all in the USA the demand for foreign goods has increased in the course of the continuing recovery of economic activities. In the first quarter of 1972 total imports exceeded the previous year's corresponding level by 26 p.c. (adjusted for price by 21 p.c.). West European imports according to their value in US \$ increased simultaneously by 19 p.c. In Japan the preceding recession was decisive for the growth rate of only 11 p.c. (in real terms probably 1 p.c. only), but adjusted for seasonal varia-

tion a stimulation of import demand was to be noticed there, too.

More Regional Disequilibria

The growth rates of exports measured by US \$ values diverged much more than those of the corresponding import values. While exports of the USA rose by 7 p.c. only, in Japan they increased by 22 p.c., in Western Europe by 23 p.c. This differing development of import and export values in the individual regions confirms the anticipations entertained when the realignment was decided on — i.e. that the changed currency relations would not already in the short term lead to the intended changes in the trade and payment balances, even more so since the present cyclical differential still hampers an equalisation of the balances. Thus the US trade balance deficit continued growing, while in Japan the corresponding positive balance still improved. In Europe, however, the deficit adjusted for seasonal variation declined again.

1972: Accelerated Expansion

The stimulation of the cyclical expansion in the countries of the Western World makes an accelerating increase of world

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

Index and commodity group	1971			1972			
	June	September	December	March	June	July 7	July 21
HWWA-Index * (1952-1956 = 100)	104.2	106.5	110.0	118.6	117.7	115.2	114.0
Foodstuffs	99.7	97.7	104.5	116.4	110.0	105.7	105.0
Raw materials other than foodstuffs ...	106.4	110.8	112.6	119.7	121.4	119.8	118.4
Fuels	114.8	125.0	124.6	128.5	131.4	130.6	130.5
Raw materials for consumer goods ...	90.1	94.6	102.9	114.0	118.4	114.4	107.9
Raw materials for capital goods	109.0	107.6	107.2	114.8	113.2	112.6	113.2
Reuter's Index (18. 9. 1931 = 100)	525.7	508.9	525.8	557.0	551.4	566.2	569.4
Moody's Index (31. 12. 1931 = 100) ...	376.5	361.3	373.6	394.9	405.2	416.0	421.5

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

trade probable for 1972 as compared with 1971. The new currency relations justify anticipations not so much of dampening effects on world trade but of a regional redirection of trade flows. The acceleration does not only concern the value of world trade measured by US \$ but also the development of quantities. After the cyclical prospects improved noticeably in many industrial countries, we expect for 1972 a slight increase of the world trade volume by 7 to 8 p.c.

(1971: 6 p.c.). The growth rate in nominal terms will be considerably higher. The effect of the US \$ devaluation alone can be estimated at 7 p.c. The increase of import and export prices expressed in national currencies should be smaller than in 1971. This year total world trade measured by US \$ should register a nominal growth rate of 17 to 18 p.c. The de facto sterling devaluation will not influence the expected growth rate to any extent worth mentioning.

duced in the Western World than in 1968. The voluntary reduction of tin production could, however, not prevent a substantial excess of production over consumption in the Western World in 1970 and 1971. The unfavourable development of the statistical situation was for the producers intensified by increasing tin supplies from China and decreasing exports into East European countries.

During the next months the tin price should remain on the actual level by the support of the International Tin Pool. But even before the end of the year the expected acceleration of economic expansion in Japan and West Europe could lead to a continuing increase of tin consumption in the Western World. In addition the tin processing industry might show a stronger propensity to stockpile. The stocks of the producers, dealers, and the International Tin Pool would quickly be reduced in this case. The tin foundries will hardly increase their production fundamentally in this phase in order not to jeopardise the possible price increase.

Raw Material Markets

Sharp Rise of Tin Prices

The general revival of demand in world raw material markets during the first months of 1972 has also led to a sharp rise of tin prices. The London quotation of tin for cash surpassed for the first time for one and a half years the mark of £ 1,500 and reached £ 1,522/metric ton. After this the quotations went down to £ 1,440/metric ton due to calming demand and ample supply. It was the sterling-crisis that caused again a sharp rise of the tin price up to £ 1,540/metric ton. But in this case it was a matter of balancing the sterling devaluation and of re-

acting according to the widened price margins of the tin agreement.

The fundamental reason for the weakness of the tin market was the stagnating consumption in the Western World since autumn 1971. Even in the USA, where economic recovery is rapid, there are as yet no indications of significantly increasing tin consumption. On the other hand it would be easy for the producing countries to cover a demand of considerably higher extent. During the period 1969 to 1971, e.g., less tin was pro-

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