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WORLD BUSINESS TRENDS

trade was impaired in the second quarter.

Continuing Disequilibria

There are only very weak indications of a change in the net effects of trade balances as aimed at by the realignment of exchange rates. The deficit in the US balance of goods trade with foreign countries adjusted for seasonal variation has still increased during the first quarter of 1972. Analysed by months, its peak was in April, while thereafter a slightly weaker tendency has set in. On the other hand, Japan's export surplus adjusted for seasonal variation declined slightly, but here the deteriorating influence of special factors is difficult to assess. In Western Europe the trade deficit vis-à-vis the rest of the world has simultaneously grown slightly. Decisive for these continuing disequilibria is the fact that adjustment processes after exchange rate changes require much more time than the few months that have passed since the realignment, and, on the other side, the different phases in the cyclical developments in the USA, on the one hand, and in Western Europe and Japan, on the other, play their part. Only with a comparable degree of employment and similar internal rates of expansion it may be shown, how (in)sufficient the exchange rates agreed on in

Vigorous Trade Expansion

The high increase of world trade turnovers (excluding the Eastern socialist countries) has continued. Already in the first three months of 1972 they exceeded last year's level by 18 p.c. and in the second quarter their growth rate with 17 p.c. hardly declined. It has, however, to be taken into consideration that also this growth rate—just the same as that of the first quarter—was inflated by the dollar devaluation. If in a comparison with a year earlier the increase caused by devaluation is to be estimated at more than 7 p.c. for the period from January to March, in the second quarter the rate was slightly smaller only, because in May 1971 only Austria and Switzerland revalued their currencies de jure by floating their exchange rates, and the Federal Republic and the Netherlands de facto. The rise of export prices in national currencies also contributed to extraordinarily widening the differences between the developments of values and volumes in world trade. Measured by US \$ the price component in the first half of

the year should have been higher by about 10 p.c. than a year ago, i.e. the volume increased simultaneously by about 7 p.c.

Deteriorations by Special Factors

A slight slowing down of world trade expansion adjusted for seasonal variation in the second quarter vis-à-vis the first quarter is to be traced back to the influences of special factors. Thus, on the one hand, world trade turnovers were increased exceptionally at the beginning of the year, since after the realignment of December 1971 imports and exports recovered, while during the preceding period of floating there had been a slump. The shifts in trade caused by the dockers' strike in the USA in the last quarter of 1971 also contributed to this development. On the other hand, the sterling crisis of June, that led to the floating of the British exchange rate, and the dockers' and sailors' strikes in Japan should, if only to a small extent, have caused shifts of trade into the third quarter. Thus world

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

| Index and commodity group | 1971 | | | | 1972 | | |
|--|-----------|----------|-------|-------|-----------|----------|----------|
| | September | December | March | June | September | Sept. 15 | Sept. 29 |
| HWWA-Index * (1952-1956 = 100) | 106.5 | 110.0 | 118.6 | 117.7 | 118.2 | 117.3 | 119.8 |
| Foodstuffs | 97.7 | 104.5 | 116.4 | 110.0 | 115.6 | 114.0 | 119.2 |
| Raw materials other than foodstuffs ... | 110.8 | 112.6 | 119.7 | 121.4 | 119.4 | 118.9 | 120.2 |
| Fuels | 125.0 | 124.6 | 128.5 | 131.4 | 130.2 | 130.2 | 130.2 |
| Raw materials for consumer goods .. | 94.6 | 102.9 | 114.0 | 118.4 | 109.4 | 107.2 | 113.3 |
| Raw materials for capital goods | 107.6 | 107.2 | 114.8 | 113.2 | 115.4 | 115.2 | 114.8 |
| Reuter's Index (18. 9. 1931 = 100) | 508.9 | 525.8 | 557.0 | 551.4 | 612.2 | 609.5 | 635.7 |
| Moody's Index (31. 12. 1931 = 100) ... | 381.3 | 373.6 | 394.9 | 405.2 | 435.4 | 435.7 | 441.1 |

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

Washington are for reducing the disequilibria in international trade and services.

In the second half of the year, too, a vigorous growth of international trade is to be anticipated due to the continuance of the cyclical expansion in the Western industrial countries.

For the whole of 1972 the prognosis made already in spring therefore maintains a high degree of probability. According to this forecast the world trade volume should increase by 7 to 8 p.c. and the value of international trade, measured by US \$, by 17 to 18 p.c. vis-à-vis 1971.

for copper will presently continue. Nonetheless, considerable price fluctuations are to be expected for the next future due to the trade's rapidly changing judgements on the short-term market situation. The events in the London Metal Exchange are distinctly influenced also by the market developments in the USA. The free copper quotations there rose to such an extent that an increase of the producers' fixed sales prices had to be expected, too. But due to the weak demand the free price has in the meantime slipped back to its level at the end of December 1971. An upward adjustment of the US-producer prices in the foreseeable future is therefore not considered to be possible. With that London has also lost a price stabilising element. A thorough change in the copper market can only be expected if a distinct revival of the copper demand becomes effective in connection with the continuing cyclical upswing in the Western World. In this case the stock surpluses will rapidly be reduced. Consequently an increase of the copper prices is quite probable in 1973.

Raw Material Markets

Copper Prices under Pressure

Considerable fluctuations of prices have been observed in the world copper markets during the last months. In London the downward price tendency was stopped by the floating of the Pound. Until the beginning of September the consecutive quotation went up by 11 p.c. to 450 £/t. The price rise was supported by the trade's speculative purchases above all in the USA. But afterwards the bearish speculations dominated again. Large-scale sales caused a rapid decline of the quotations. At the end of September the consecutive quotation remained at 428 £/t after a net increase of 5.5 p.c. in comparison to mid-June. Considering the actual Pound devaluation, this increase is extremely moderate. For non-British processors copper is presently even cheaper than it was before the floating of the Pound.

Heavy overstocking by producers and by the trade charac-

terises the situation in the copper markets. This came about in 1970 and 1971 when the copper production surpassed by far the consumption in the Western World. The available statistics indicate the possibility of another production surplus in 1972. The stocks of the producers reached a new record volume of 463,200 t at the end of June and thus surpassed by 119,000 t the level at the end of June 1971. Since the copper processors' demand has been weak up to now, the stocks of the trade should have grown, too. The copper stocks of the London Metal Exchange amount to 169,000 t at present, which is more than ever before since the end of World War II. On the whole the production of refined copper might in the Western World reach 6.4 mn t and thus possibly surpass again the consumption by 150,000 t.

In view of such ample supply the pressure on the quotations

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