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World business trends

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WORLD BUSINESS TRENDS

World Trade Also Booming

During the last months of the past year world trade turnover has grown vigorously after a pronounced "summer-slump" had occurred particularly in the third quarter. This stimulation, exceeding by far the shifts caused by the dockers' strike in Britain, clearly indicates the force of the worldwide cyclical upswing. In the aggregate the Western industrial nations' as well as the raw material producing countries' foreign trade turnovers increased by about 17 p.c. (in US-\$) vis-à-vis the previous year. In terms of volume they rose by almost 9 p.c. The price increase by almost 8 p.c. reflects arithmetically three quarters of the dollar devaluation.

Further Disequilibrium

The recent currency troubles, culminating in the speculation on further changes in the exchange rates relations even after the first dollar devaluation in February, last but not least had been unleashed by last year's development of international transactions, particularly

of the trade flows. The deficit in the USA's balance of trade (imports at cif-values) was more than twice as high in 1972 than in the year of the realignment. When the temporary turn towards improvement seemed to switch around again at the end of the year, the distrust in the dollar revived quickly. The yen proved to be still undervalued as was particularly shown by the renewed improvement of the Japanese balance of trade. In comparison Western Europe's aggregate foreign trade balance of 1972 remained negative to the same extent as before, while, however, its foreign trade surplus vis-à-vis the USA climbed considerably. A quick normal reaction of the trade balances to the realignment was hardly to be anticipated anyway already last year. On the one hand, the adjustment of international flows of goods to changed foreign exchange rates, as is known by experience, takes some more time, while, on the other hand, the effects of the realignment were neutralised by a difference in cyclical trends which was only reduced in the course of the year.

The statistical data for the LDCs' foreign trade in 1972 are still very incomplete. In their transactions with OECD-countries the LDCs' imports between January and November had grown by 11 p.c. as compared with the previous year. Their exports simultaneously had expanded considerably more by 17 p.c. The reason for this is, on the one hand, the stronger growth of total demand in the Western industrial countries, and, on the other hand, the connected higher price increase especially of raw materials. Since in 1971 the LDCs in general did not change their exchange rates vis-à-vis the USA, the devaluation caused consequently frequent price increases for imported goods. Therefore the LDCs' terms of trade should have hardly changed.

1973: Accelerated Expansion

During the current year the development of world trade is marked by the uncertainty of the future currency conditions. If the foreign exchange rate changes remain at the present level, which does little impair the cyclical trend in the industrial countries outside the USA, a higher increase in the volume of transactions is to be anticipated in 1973. This growth rate should amount to about 11 p.c. due to the acceleration of the cyclical development in

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

Index and commodity group	1972				1973		
	February	May	August	November	February	March 16	March 30
HWWA-Index * (1952-1958 = 100)	116.6	118.5	115.1	122.7	142.8	152.3	155.9
Foodstuffs	114.6	110.5	108.4	119.8	141.5	146.6	148.2
Raw materials other than foodstuffs ...	117.6	122.3	118.4	124.0	143.4	155.1	159.6
Fuels	126.8	131.7	130.2	130.4	137.9	141.5	141.5
Raw materials for consumer goods ..	110.8	120.3	106.5	123.9	153.9	172.7	181.4
Raw materials for capital goods	112.9	114.3	114.5	117.7	141.9	156.8	162.9
Reuter's Index (18. 9. 1931 = 100)	554.5	551.5	586.5	675.7	827.1	872.4	887.1
Moody's Index (31. 12. 1931 = 100)	393.5	403.6	426.3	447.5	499.9	509.4	501.5

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

Western Europe and Japan. In view of the worldwide cyclical upswing foreign trade prices in national currencies would then rise again more strongly than in the past year — although revaluation effects might in vari-

ous cases dampen this trend. In 1973 the renewed dollar devaluation will, moreover, lead to an inflation of world trade turnover measured in dollar, the extent of which cannot yet be quantified.

sis about the development of zinc prices. First, it is not predictable if adjustments of the quotations to the changes in the exchange rate will happen. Second, there are still doubts about the stockpile policy of the USA; although the Government has stated its intention to expand considerably sales of zinc and other non-ferrous metals out of strategic reserves just for the sake of damping the price-increase, only moderate increases in zinc sales are to be anticipated. The reason is the fear to endanger employment in the American zinc mines. In this case a further rise in zinc prices is hardly avoidable, for the strong demand expansion in the western industrial countries will continue in the next months. Already now an instantaneous increase of the West European producers' selling price is anticipated. Within the second half of 1973, however, the upward trend of zinc prices will come to a halt. Then a gradual slowing down of the increase in the American zinc consumption seems to be possible if the expected slow-down of the economic expansion sets in.

Raw Material Markets

Continuing Rise of Zinc Prices

The zinc prices on the world market have risen steeply in the past six months. Because of an increase in the demand the producers of zinc were able to raise their prices without any difficulty and to offset the devaluation of the dollar and the pound. The free zinc price in London is with presently 208 £/ton nearly 40 p.c. above that of April 1972. Even under consideration of the pound devaluation since June 1972 zinc has become noticeably more expensive also for manufactures outside the sterling-bloc. The buyer in the Federal Republic notices for example an increase in the zinc price of 17 p.c. from April 1972 to April 1973.

Vigorous expansion of production, stockpile releases in the USA and the relatively slow rise in consumption in Western Europe kept the zinc prices under pressure until summer 1972.

But the following strong increase of demand due to the worldwide cyclical expansion soon changed the market situation for the benefit of the producers. On the whole the western world produced 4.13 mn tons of zinc and consumed 4.34 mn tons in 1972. The deficit of production was with 210 000 tons about twice as high as in 1971. The higher stockpile-releases and net imports from Eastern countries however prevented bottlenecks in the supply. The West European zinc producers raised their prices since the end of 1972 in several steps from 150 to 190 £/ton. Because of the price controls the producers in the USA at first could not raise prices. Meanwhile after the change to a more voluntary control-system the price moved from 18 to 21.5 c/lb.

At this moment it is particularly difficult to make a progn-

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