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Expansion of World Trade

During the first quarter of 1973 the turnover of world market commodities which — after the slackness of last summer — had risen at an extraordinary speed during the last three months of 1972, continued growing considerably. In dollar terms it was by 23 p.c. higher than a year ago. During the last quarter the expansion rate amounted to 21.5 p.c. vis-à-vis 17.5 p.c. for the year 1972 as a whole. Due to the devaluation of the US Dollar on February 12, 1973, the expansion rate reached an excessively high level once again during the first quarter. If the effect of the devaluation is taken into consideration, the expansion rate of turnover reduces to 19 p.c. approximately. Since foreign trade average values have probably grown at an increasing speed, the price-adjusted expansion rate of world trade is estimated at 13 p.c. compared with the first quarter of 1972.

Heavy Pressure to Import

The relatively strong expansion of world trade was a result

of the lasting economic upswing in most of the industrial countries. In comparison with a year earlier the expansion rates of these countries' imports — measured in terms of dollars — were generally on a high level, varying from 20 p.c. (USA) to 35 p.c. (Japan). Adjusted for seasonal variation the increase of Japan's imports vis-à-vis the preceding quarter was still above the average and meant a further acceleration of speed. Besides the strong economic upswing the very high revaluation rate against the dollar (at the end of the quarter: 14.4 p.c.) had a stimulating — only nominal — impact on this trend.

Different Expansion of Exports

The development of exports was far more differentiated than the rise of imports. Compared to the year before the rates of change — in dollar terms again — lay between — 5 p.c. (Italy) and + 40 p.c. (Netherlands). It has to be considered, however, that Italy's rate has hardly been inflated by a revaluation effect against the dollar. After its

floating the lira rather followed the development of the dollar rate. During the first quarter of 1973 the factual revaluation effect vis-à-vis the dollar amounted only to roughly 1 p.c. (at the end of the quarter the exchange rate of the preceding year was reached again; after that time a noticeable devaluation effect — temporarily even against the dollar — followed). But even if the differing "nominal effects" are taken into consideration, during the first quarter Italy's exports underwent a weak period compared to the export results of nearly all other countries. This development was determined by the dampening impact of strikes. Great Britain's foreign trade figures also show a relatively low increase of exports — 14 p.c. in a year's time. In this context the considerable devaluation effect after the floating of the sterling in July 1972 has to be taken into account, however.

Trade Turnover in 1973

The recent developments point to a 12–13 p.c. rise of world trade turnover (exports plus imports, adjusted for variations of prices and exchange rates) from 1972 to 1973. Our estimated values have been raised again because the ex-

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

| Index and commodity group | 1972 | | | 1973 | | | |
|---|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | June | September | December | March | June | July 6 | July 20 |
| HWWA-Index * (1952–1956 = 100) | 117.7 | 118.2 | 128.5 | 152.8 | 172.2 | 179.5 | 187.0 |
| Foodstuffs | 110.0 | 115.6 | 132.4 | 146.6 | 168.7 | 175.8 | 181.3 |
| Raw materials other than foodstuffs ... | 121.4 | 119.4 | 126.6 | 155.9 | 173.8 | 181.3 | 189.8 |
| Fuels | 131.4 | 130.2 | 130.6 | 141.5 | 154.2 | 155.7 | 155.6 |
| Raw materials for consumer goods .. | 118.4 | 109.4 | 130.0 | 171.9 | 178.9 | 182.5 | 196.3 |
| Raw materials for capital goods | 113.2 | 115.4 | 120.4 | 159.4 | 190.1 | 206.4 | 219.7 |
| Reuter's Index (18. 9. 1931 = 100) | 551.4 | 612.2 | 722.2 | 875.6 | 975.0 | 1032.3 | 1100.1 |
| Moody's Index (31. 12. 1931 = 100) | 405.2 | 435.4 | 471.1 | 510.0 | 559.5 | 565.3 | 616.5 |

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

pectations concerning the increase in production of Western Europe, USA and Japan have gone up. For the industrial countries as a whole real GNP is expected to rise by almost 7.5 p.c. — or 6.8 p.c. if weighted by the shares of total world imports of 1971. This rate indi-

cates — as in the last years — an expansion of world trade adjusted for price which will be approximately twice as strong. In dollar terms, the growth rate of world trade which was already very high during the first quarter will be even higher for the whole year.

The expansion of demand for raw materials will decrease step by step up to the end of this year. The economic growth in West-Europe and Japan will continue at the same rate, but in the USA a decrease of the growth rate is to be expected. A more moderate rise in consumption is normally accompanied by a decreasing propensity of the manufacturers for stocking up. The supply of raw materials will in general remain relatively scarce. Under these circumstances the price increase on the raw material markets will slow down in the next months and may stop still before the end of the year.

Raw Material Markets

Continuing Boom In Raw Material Prices

Only for a short time after the currency decisions at Brussels in March 1973 an interruption of the price-boom could be noticed in the world markets for industrial raw materials. At the end of March already the rise in raw material prices appeared again. Experts assumed that the rise in prices had a strong speculative element during the international monetary crisis; corresponding to this assumption a little fall in prices had been prognosticated. But the effects of the cyclical upswing have obviously been underestimated. The continuing strong economic expansion in the western industrial countries produced an intensifying demand for raw materials. Due to the fear of price increases the manufacturers still were piling

up their stocks. The monetary crisis in May finally promoted the speculative stocking up, too. Purchasers seemed to expect that in New York and London the rise in quotations might exceed the value depreciation of the dollar and the pound sterling. The price level on the industrial raw material markets rose, according to the HWWA-Index on dollar basis, by 21 p.c. between mid-March and mid-July. The position mid-July 1972 is thus surpassed by 59 p.c. (!)

The present situation on the raw material markets represents an uneasy basis for a price prognosis. An end of the speculative pressure to buy and a normal behaviour of the partners concerning the basic factors of the market is not in sight.

On the world markets for foodstuffs the upward trend of prices was even rising during the last months. The average increase — according to the HWWA-subindex for foodstuffs on dollar basis — was 20 p.c. between mid-March and mid-July 1973. Since mid-July 1972 the price level rose by not less than 65 p.c. During the second half of this year the peak of the price-boom on the foodstuffs market will be passed due to the expansion of production stimulated by the high prices.

Compiled by the Department on Business Cycles and Statistics of the Hamburg Institute for International Economics.

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