

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

## World business trends

Intereconomics

*Suggested Citation:* Hamburg Institute of International Economics (HWWA) (Ed.) (1973) : World business trends, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 08, Iss. 11, pp. 355-356,  
<https://doi.org/10.1007/BF02927785>

This Version is available at:

<https://hdl.handle.net/10419/138928>

### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

### Terms of use:

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

# WORLD BUSINESS TRENDS

## 1974: Slower World Trade Expansion

During the second quarter of 1973 a continuously expansive demand in the most important countries, an accelerated price-increase and another effective devaluation of the US-\$ stimulated the development of the world trade turnovers. The turnovers (in US-\$ without East-Bloc-Countries) were by nearly 28 p.c. (about 23 p.c. in the first quarter) higher than during the corresponding period of the preceding year. As a result of the dollar-weakness — which promoted another DM-revaluation at the end of June — the devaluation rate of the US-\$ (weighted with the shares in world exports and imports) has almost doubled vis-à-vis the entire world from the first to the second quarter compared with the preceding year. Therefore the growth rate of world trade declines noticeably, if it is based on the results of the trade in national currencies. Then

this rate amounts to about 21 p.c. only (after about 19 p.c. before).

### Accelerating Price Increases

Finally an increasing influence of the price component on the nominal world trade data has to be taken into consideration. The boom on the world raw material markets continued in the second quarter of the year. Last but not least this may be the reason for the noticeable growth of price increases in world trade (about 3 p.c.) as compared with the preceding year. Therefore (in the second quarter) the volume of world trade was by about 12 p.c. higher than a year ago. Compared with the first quarter of this year (about 13 p.c.) this means only a slight decline. But adjusted for seasonal trend the expansion of world trade between both periods has — similar to last year — flattened completely. The Washington realign-

ment of December 1971 had been the potential reason for the expansive reaction in the beginning of 1972, but such an exceptional influence did not exist at the beginning of this year. Anyway, since two quarters of such an exorbitant expansion preceded, a certain reaction is not surprising.

### Exorbitant Increase of Japan's Import

During the second quarter Japan had the highest growth rate in US-\$ (70 p.c.) among all industrial nations. Although a strike in the corresponding period of the preceding year makes certain deductions necessary, there remains a sensational advantage over the corresponding rates of the West European economies (30 p.c. on average) and the USA (26 p.c.). The inflation of imports caused by changing exchange rates and price increases (concerning the USA only in this aspect) is remarkable in any case. Even eliminating these influences Japan is at the top with an increase of its import volume within one year by approximately 38 p.c. (20 p.c. in the first quarter). This is a precise reflection of the boom in demand.

Exorbitant price increases of import goods in Japan, which — in spite of the yen-revaluation

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

Index and commodity group	1972		1973				
	September	December	March	June	September	Sept. 14	Sept. 28
HWHA-Index * (1952-1956 = 100) .....	118.2	128.5	152.8	172.2	195.7	194.7	196.3
Foodstuffs .....	115.6	132.4	146.6	168.7	188.7	187.5	191.0
Raw materials other than foodstuffs ...	119.4	126.6	155.9	173.8	199.2	198.1	198.9
Fuels .....	130.2	130.6	141.5	154.2	155.0	154.9	155.0
Raw materials for consumer goods ..	109.4	130.0	171.9	178.9	222.2	216.3	223.6
Raw materials for capital goods .....	115.4	120.4	159.4	190.1	227.9	229.2	226.2
Reuter's Index (18. 9. 1931 = 100) .....	612.2	722.2	875.6	975.0	1,183.5	1,185.7	1,196.3
Moody's Index (31. 12. 1931 = 100) .....	435.4	471.1	510.0	559.5	646.6	649.1	643.8

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

in February — in the second quarter reached 14.8 p.c. compared with the same period in the preceding year, reflect mainly the international price boom in raw materials that are an important part of Japan's import. Obvious is the strong price increase of imports for these countries whose exchange rates underwent a devaluation.

### **Export Expansion in the USA**

Just as conspicuous as Japan's imports are the exports of the USA. With their extraordinary growth rates they are at the top within the group of the industrial countries. The value of exports increased by 44 p.c. compared with the same period last year, while Japan's growth rate was 31 p.c. and the average of the West European countries was 27 p.c. (on \$-basis). The favourable development in the USA is shown by the fact that the export expansion by 29 p.c. (price variations eliminated) has more than doubled compared with the world trade volume. The country profits now — apart from the special factor of the higher grain demand on the world market — by the improvement of its competitive position on the international markets caused by the dollar devaluation. The increase of the average export values by 12.5 p.c. within a year's period is only a main consequence of the boom in the agricultural raw material prices.

### **Strong Shifts in Balances**

The opposite development tendencies in the trade balances of Japan and the USA produced pronounced shifts in balance positions. While in the first half of 1972 Japan still had an export surplus of \$ 1.8 bn, in the first half of 1973 it registered a deficit of about \$ 500 mn. On the other hand, the import surplus of the USA declined from \$ 4.5 bn to \$ 2 bn (import at cif values). In the same period the traditional import surplus of the West European economies rose from \$ 5.5 bn to \$ 9.4 bn. Even if the above mentioned special influences are taken into account the changes in the balance positions mark clearly first successes concerning the efforts for an elimination of international trade disequilibria.

### **Prognosis: Slight Slowing Down**

Regarding the further development of world trade in the second half of 1973, it is expected that the expansion of demand in the industrial countries will decline only slowly. Thus the prerequisite is given for a further spirited growth of world trade turnover, which — adjusted for seasonal variation — had been interrupted during the second quarter. On the basis of an estimated growth of production by 7 p.c. in the industrial countries, the calculation of an expansion rate of 12–13 p.c. for the world

trade turnover, which had been published here three months ago, can be sustained. Due to the heavy shifts in the system of exchange rates in the direction of a devaluation of the dollar, which occurred between the second and third quarter, the nominal inflation of world trade turnovers measured in dollar terms will be even stronger than in the first half of the year. As a further rise of raw material prices is not expected, the upward pressure on prices in international trade might diminish on an average, even though the price increases of industrial goods will rather accelerate.

During 1974 the economic trend will considerably turn down in the industrial countries. As this development will be most pronounced in the USA, which has the lowest import rate, the slow down will be less marked in world trade expansion. Therefore we anticipate that its increase (adjusted for prices and exchange rates) will correspond to the medium-term average (1969 to 1973: 9.5 p.c.). A shifting of the shares corresponding to the exchange rate relations is expected. Particularly the USA's trade balance should improve considerably.

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

**PUBLISHER:** HWWA—Institut für Wirtschaftsforschung—Hamburg (Professor Dr Heinz-Dietrich Ortlieb, Dr Dietrich Kobschull) and Stiftung Deutsches Übersee-Institut (Professor Dr Günther Jantzen)

#### **EDITORIAL BOARD:**

**Chief Editor:** Dr Otto G. Mayer

**Assistant Chief Editors:** Hubert Höping, Klaus Kwasniewski

**Editors:** Claus Hamann, Albrecht Iwersen, Helga Lange, Sabine Schwarz, Bettina Weber, Klauspeter Zanzig

**Address:** Neuer Jungfernstieg 21, 2 Hamburg 36, Phone: (0 40) 35 62 306/307

#### **PRODUCTION AND DISTRIBUTION:**

**Verlag Weltarchiv GmbH, Hamburg**

**Advertisements:** Representative Dr Hans Klemen

**Advertising Price List:** No. 13 of January 1, 1971

**Rates of Subscription:** Single issue: DM 4.20; Annual rate: DM 48.— (Students: DM 24.—)

**Publication Dates:** monthly

**Printing:** Otto Schwitzke, Hamburg

**Address:** Neuer Jungfernstieg 21, 2 Hamburg 36, Phone: (0 40) 35 62 500

Copyright by Verlag Weltarchiv GmbH