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WORLD BUSINESS TRENDS

World Trade Growing by Nearly 10 p.c. in 1976

The rapidly progressing cyclical recovery in the industrial countries gave also world trade vigorous impulses. Its expansion, starting in mid-1975, apparently still accelerated at the beginning of the current year. At present world trade adjusted for price and seasonal variation should already have reached again the peak registered before the recession. According to available still incomplete data, in the first quarter of 1976, for the first time since the end of 1974, it exceeded in real terms the previous year's corresponding level — and this to a considerably higher degree than the nominal growth rate of approximately 4 p.c., measured on a dollar basis, seems to indicate. True, the average values in national currencies were slightly higher than a year ago, but the simultaneous strong revaluation of the dollar vis-à-vis the other currencies was still stronger.

Former Assumptions Obsolete

The assumptions hitherto made for 1976 on the growth of world trade have to be cor-

rected in line with the expansive development of the foreign trade flows during the first quarter of 1976, which in the meantime has become estimable. Even if it cannot be anticipated that the expansion of the goods exchange will continue for long at the same speed as reached at the beginning of this year, an average increase of world trade by 9 to 10 p.c. in 1976 is now quite probable due to the indicated strength of the world economy's cyclical upswing. This would be an unexpectedly strong expansion, but — as compared with former boom years of the world economy — not even an extraordinary one (1968: 14 p.c., 1972: 9 p.c., and 1973: 12 p.c.).

Incentives Originating from Industrial and OPEC-countries

Above average will the industrial countries' imports as well as those of the mineral oil exporting countries rise. A vigorous re-increase of imports of mineral oil importing developing countries will, however, probably not come about as yet. For, in view of the growing dif-

ficulties in their financial situation, they must be out for a reduction of the excessively high deficits in their balances of current transactions. It is questionable whether their imports will in real terms reach the previous year's result, although here, too, in view of their re-increasing export proceeds a stimulation will come about during the year. The state trading countries' imports will, to begin with, expand but moderately after the pronounced deterioration of their balance of payments situations during the past year. Nevertheless, a decrease of their purchases on western markets need not be anticipated anymore in view of the cyclical improvement of the sales situation for raw materials and semi-finished products dominating in their exports.

Beyond 1976: Uncertainties

The assumed tendency to slow down of world trade expansion after the winter half year 1975/76 is particularly to be explained with the declining impulses originating from changed arrangements for carrying stocks. It will be decisive for the speed of the expansion of world trade, particularly in a forecast beyond 1976, when and to what extent this phase will be followed by an endogenous enforcement of the stimulating forces through a lasting stimula-

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

Index and commodity group	1975			1976			
	May	August	November	February	May	June 6	June 18
HWHA-Index * (1952-1956 = 100)	269.4	267.2	259.5	273.4	287.4	286.5	292.8
Foodstuffs	211.2	215.7	200.7	200.9	223.9	218.8	230.4
Raw materials other than foodstuffs ...	297.4	292.0	287.8	308.4	318.1	319.2	322.9
Fuels	468.5	465.4	467.8	495.8	492.6	492.4	492.4
Raw materials for consumer goods ..	165.8	166.3	174.1	184.4	195.2	201.0	208.6
Raw materials for capital goods	214.7	202.9	184.8	204.2	226.0	225.3	230.0
Reuter's Index (18. 9. 1931 = 100)	1,074.5	1,171.5	1,135.5	1,222.9	1,444.4	1,485.8	1,515.9
Moody's Index (31. 12. 1931 = 100)	728.7	802.7	742.5	777.0	821.7	834.2	851.8

* Index compiled by HWWA-Institut für Wirtschaftsforschung-Hamburg. On Dollar-basis.

tion of the propensity to invest. In this context those uncertainties will gain in importance that continue to exist regarding the full development of the boom in the industrial countries. The rapid recovery of foreign trade is, on the other hand, an impor-

tant determinant of the business trend. For, the influence of the export intensive, frequently especially dynamic economic sectors on the business climate, by experience by far exceeds their quantitative weight in the production and income cycles.

have already begun to expand their production.

At the last conference of copper exporting countries (CIPEC) which took place in June it was decided that the production limitation of 15 p.c. should not be prolonged beyond June 30. Chile which has long ago been questioning the usefulness of the production limitation might soon return to the full utilization of its copper capacities.

Copper production will accordingly grow gradually faster than hitherto, the more so as the West European and North American manufacturers of refined copper are also striving for a higher degree of utilization of their capacities. On the other hand, the cyclical upswing, which is, by now, proceeding rapidly in almost all of the Western industrialized countries, will be connected with a further heavy increase in demand for copper. In spite of the production increase this will probably result in a rapid diminution of the still relatively high stocks with the producers and at the copper exchanges. Under these circumstances copper prices may be expected to rise further, although not as fast as during the last months.

Compiled by the Department on Business Cycles and Statistics of HWWA-Institut für Wirtschaftsforschung-Hamburg.

Raw Material Markets

Boom in the Copper Market

The vigorous increase in demand has resulted in a price boom at the London Copper Exchange which has been lasting since February 1976. Before that time the market had been characterized by a lethargy which was due to the over-supply and became obvious through the repeated unsuccessful speculations for a bull. With 888 £/t the present cash price for copper exceeds that at the beginning of February 1976 by 51 p.c. (+ 32 p.c. if converted in US \$). Since March copper producers have raised the US selling price by 12 p.c. to 70.6 c/lb. The external events which gave rise to the speculation were probably the political troubles in Africa which impeded the transport of copper from Zambia and Zaire and security purchases in connection with the decline in the exchange rate of the British pound. But now the copper boom is stimulated also by the

increasing demand of West European manufacturers after a significant stimulation of demand had already been registered in the USA and Japan.

Presently it is more difficult to assess the "fundamental" copper market situation in the Western world since the CIPEC countries have stopped publication of their output figures. In 1975 production of refined copper in the Western world had been reduced by 10 p.c. to 6.25 mn t; consumption fell by 16 p.c. to 5.45 mn t. The result was a visible production surplus of 830,000 t. Thus the year 1976 began with substantially increased stocks with the producers (518,000 t) and at the copper exchanges of London (497,000t) and New York (91,000t). The lively demand in the last months has probably led to only a slight decline in the copper producers' stocks because obviously a number of companies

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