

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

Article — Digitized Version

Germany: Sharp rise of demand from abroad

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1979) : Germany: Sharp rise of demand from abroad, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 14, Iss. 4, pp. 210-211,
<https://doi.org/10.1007/BF02924281>

This Version is available at:

<https://hdl.handle.net/10419/139626>

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.

Germany: Sharp Rise of Demand from Abroad

The swift progress of the cyclical expansion in most industrialized countries made in the first four months of the current year for a big increase (after price and seasonal adjustments) of the order inflow from abroad. This applied also to investment goods. Goods exports likewise grew substantially. The phase of weakness after the turn of the year, which was probably partly connected with the labour conflict in the steel industry and the severe winter and partly reflected export shortfalls which arose in trade with Iran, was shortlived. Allowing for the effect of these special factors, the export total increased more strongly in the first five months of this year than it had done in the second half of last year. Export prices have been rising more rapidly since the beginning of 1979; from December 1978 to May 1979 they went up by 3.8 %.

As the cyclical upswing in the Federal Republic continued, imports recorded a further substantial increase in the first five months of the current year. There was a further appreciable increase in the stocks of imported input goods. In part it was probably due to the rising prices in important raw material markets. Of the finished products investment goods in particular were again imported on a larger scale. Import prices which had been receding until October 1978 have been moving up since; from October last until May of this year they rose by 12.7 %. Only a

good quarter of this increase was due to the price hoist for crude oil (+ 23 %) and petroleum products (+ 78 %). The substantial price increases for a number of other imported commodities, especially non-ferrous metals, carried more weight. Besides movement of the foreign exchange rates worked no longer in favour of stability; on the contrary, the decline of the D-Mark against the US dollar reinforced until recently the updrift of prices as far as German importers were concerned.

The crude oil imports have risen considerably since the end of last year, the tight supply situation notwithstanding. In the first four months of 1979 they were about one-fifth higher (by volume) than in the corresponding period of last year. The imports of oil products however declined appreciably – by 9 %. A year earlier the trend had been the opposite: the imports of – at that time relatively cheap – oil derivatives had been stepped up at the expense of crude. There are other reasons for the big rise of crude imports compared with last year as well: in the first four months of 1978 they had been relatively low because of a temporary slackening of economic activity in the Federal Republic, a mild winter and substantial stocking-up in the preceding period.

It is likely that part of the increased crude intake was re-exported in the winter months in the form of oil derivatives, either

because “traditional” customers like Switzerland and France had to import more due to the weather or because of the lucrative prices in the spot markets. Oil products, especially light fuel oil, were certainly exported in substantially larger quantities in this period. In March-April on the other hand the exports of light fuel oil (which amount to no more than 6 % of the corresponding import item) and other oil products were curtailed significantly in spite of further price advances in the international markets. A larger share of the supplies obviously went to the domestic market where the prices, especially for light fuel oil, had risen sharply.

A forecast on foreign trade is at present rendered difficult by substantial uncertainties including in particular the repercussions of the higher oil prices on the economic trend in the industrialized countries and on world trade. It may however be surmised that the effects will appear only after a time-lag and therefore have comparatively little impact on the short-term trend. The cyclical upswing will therefore presumably continue in most industrialized countries this year. The export trade of the Federal Republic of Germany will derive special benefits from the continuing expansion in Western Europe. The sharp rise of OPEC export earnings will probably provide additional impulses for the demand from these countries. The exports to other developing countries on the other hand are likely to grow more slowly. Total exports of goods may be expected to rise by about 6 % (in real terms) this year.

The higher oil prices will have only slight effects on the economic trend in the Federal Republic at first, so that the cyclical upswing and thus the expansion of imports may be expected to continue this year. The impulses on the import trade of stock dispositions will however be weaker after the considerable additions to stocks in the winter months, with the result that the pace at which the imports of input materials for industry increase will depend primarily on the expansion of production. The imports of finished products will, as

last year, receive their most potent impulses from the increase of investment activity, the more so as private consumption will bear the burden of additional expenditure on oil products. The total imports may this year rise by about 8-9 % (adjusted for price changes). As imports will rise more strongly than exports and the terms of trade will worsen, the balance of trade and current account surpluses will undergo a marked decline. The latter surplus is likely to be halved compared with last year when it amounted to DM 17½ bn.

unexpected steep rise of the oil prices. The most potent impulses continue to emanate from the West European economies and Japan where the forces making for a cyclical upswing are still strong. The slowdown in the USA makes a marked further increase of imports into that country unlikely.

The uncertainties about the trend of imports in the other world trade regions have grown. The OPEC countries will step up their purchases again after some of them – not Iran alone – had been forced by scarcity of foreign currencies to apply the brake right up to and into the current year. It is difficult to gauge however how quickly this process will gather momentum. The imports of other developing countries are not likely to rise more than moderately (in real terms), mainly because they have to spend so much more on oil imports, though there will be wide variations due to structural causes. The state trading countries are in a similar position, apart from the Soviet Union which benefits as an oil supplier; the external position of most of the others has worsened.

The overall expansion of world trade (in real terms) is likely to be of the order of 5-6 %. The strong price impulses, especially in the international oil markets, and the incomes redistribution in favour of the oil-exporting countries however will almost inevitably weaken the cyclical trend in the industrialized countries, and this will be felt gradually in the world trade later this year. In view of the deteriorating cyclical prospects for the industrialized countries the expansion of world trade may be expected to slow down significantly in 1980 although the faster rise of the import demand of the OPEC states will provide a stabilizing element.

World Trade Still Expanding Fast

Adjusted for seasonal variation world trade continued to expand in the current year; for the first quarter of 1979 the advance on the corresponding period of last year may be estimated at the 6-7 % of the last quarter of 1978 (in real terms; against 4½ % for the whole of 1978). Expressed in US dollars the world trade turnover was about 20 % (1978: 16 %) up on the corresponding period a year earlier. The dollar depreciation still showed up clearly in a comparison with the previous year, being reflected by the exceptionally large "price component" of the world trade expansion; this was about twice as large as the "volume component". "Genuine" price increases are however by now carrying more weight. Not only have the prices for export goods of the industrialized countries gone up but the sharp increase of raw material and especially mineral oil prices has been of increasing importance. The consequent shift of the terms of trade to the disadvantage of the industrialized

countries was probably the decisive reason why their foreign trade has since last autumn again tended to move into overall deficit. The combined balance of trade deficit of these countries had reached its highest point in the winter of 1976/77 and been drastically reduced in the following 1½ years. In the first quarter of 1979 it was once more above the corresponding figure for the previous year.

The big price increases, especially those for mineral oils, will leave clear traces on the future course of world trade. While the nominal inflation of trade flows will take effect immediately, their negative volume effects will show up only with a time-lag. The same is true of the effects of the economic restrictions which must be expected to ensue as a reaction to higher prices and worsening payments balances. Earlier assumptions in regard to the volume trend of world trade in 1979 need therefore no major modifications in spite of the