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Rapid growth in world trade

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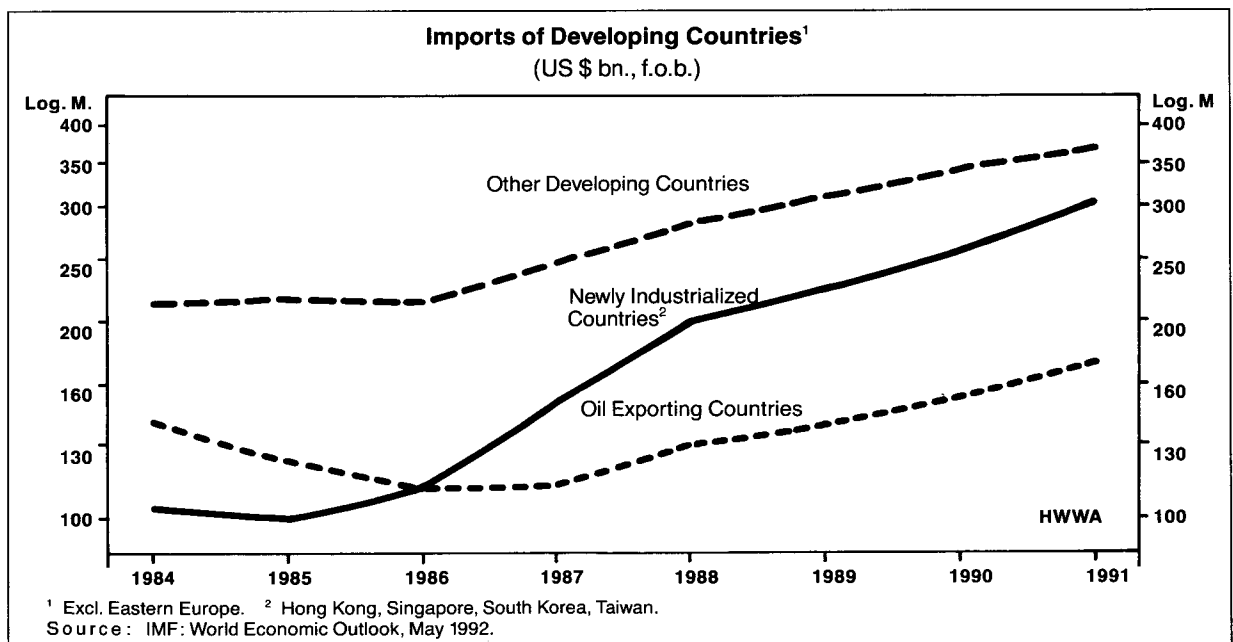
Rapid Growth in World Trade

At the start of this year world trade registered higher growth; for the first quarter it ought – leaving aside trade amongst the East European countries – to be 6% higher in real terms than in the same period last year, after total growth in 1991 of almost 4%. Like the faster growth in overall production at the same time in the industrialized countries, the trend here has also been exaggerated by special factors of influence stemming in particular from the relatively large number of working days in the first quarter. The underlying growth trend in world trade, as in the world economy as a whole, has remained quite moderate. The impulses from increased economic activity in the United States have kept within comparatively narrow bounds. In Japan, these impulses even waned; its imports, whose share of world trade is admittedly comparatively small, have now declined noticeably as a result of the weakness of economic activity.

Imports to the developing countries have expanded at a remarkable pace. Excluding the East European countries, the latest figures of the International Monetary Fund for 1991 put the volume rise at 11% and the estimate for 1992 is only slightly lower. A contributory factor here has been the rapid expansion in demand from oil-exporting countries; in the Middle East this has been in part a reflection of the recovery from the aftermath of the Gulf War. Above all, though, imports into many other developing countries

have also risen markedly. This applies in particular to Southeast Asia, where economic growth has again been particularly strong in the newly industrializing countries and for Latin America, where a certain alleviation of the debt problem has increased import capacity and reboosted economic activity as a result. Real imports to the East European countries in 1991, however, went down by an estimated sixth; trade amongst these countries themselves in particular dropped drastically, although this process of contraction seems to have slowed down recently.

Faster import growth in the developing countries has tended to improve the balance of trade of the industrialized countries since the middle of last year. At the same time their terms of trade have also improved considerably. The aggregate trade deficit of this group of countries, which came to some 108 billion dollars in 1991 (imports: c.i.f.), has thus shrunk substantially: in the first quarter of 1992 it was just about half that in the same period last year. Of the industrialized countries – including the shifts in balances between these countries – Japan recorded by far the most positive development in its balance of trade. At nearly 25 billion dollars, its export surplus in the first three months was a good 10 billion dollars up on the first quarter of last year. During the same period in the USA the trade deficit declined only little. In France it went down substantially



ECONOMIC TRENDS

Indicators of Trends in World Trade

	1984-88 ^a	1989	1990	1991 ^b	1992 ^c	1993 ^c
World Trade, in US \$ bn. ¹	X	2835	3260	3350	3550	3850
Increase over preceding year, in %						
Value	9	8	15	3	6	8
Price level ²	2	1	9	-2	1	2
Volume ³	7	7	5	4	5	6
of which: Manufactures ⁴	7	7	5	3	5	6
Imports by country groups ³						
Industrialized countries	8	7	5	3	5	6
Oil exporting countries ⁵	4	8	6	10	8	5
Other developing countries ^{5,6}	8	7	6	12	9	9

^a Annual average. ^b Partly estimated. ^c Forecast.

¹ Average imports/exports, excl. trade between the former state trading countries. ² Averages on dollar basis. ³ Turnover adjusted for price and exchange rate changes. ⁴ Exports of industrialized countries only. ⁵ Changed classification. ⁶ Incl. newly industrialized countries.

Sources: Compiled according to IMF and UN as well as own estimates.

with changes in the trade balances of the other West European countries keeping within narrow bounds.

The prospect of a very moderate upswing in the industrialized countries for the time being will also determine the outlook for world trade to a large degree. In the short term more forceful impulses will largely come from the USA thanks to the ongoing revival of aggregate demand there, which ought to stimulate imports noticeably. In Japan and in the West European economies – including trade amongst each other, the latter accounting for some 45% of world trade – imports in the later course of this year will still expand at a modest pace due to the only gradual recovery. In 1993, though, import growth in the industrialized countries is expected to accelerate generally in the course of the anticipated worldwide upswing.

World trade will receive tangible stimuli from the developing countries in future, too. The four Southeast Asian newly industrializing countries will continue to expand their imports particularly vigorously; at present they amount to almost 10% of world trade. Economic growth in these countries will be stimulated by the reviving sales prospects in the USA. These will also benefit other developing countries whose export range is increasingly

made up of semi-finished and finished products, not least many Latin American countries. Prospects for a continued economic recovery and hence a rapid expansion of imports are therefore good in these countries, too. The imports of the oil-exporting countries also ought to rise quickly, though at a slower rate than in the first recovery phase following the Gulf War. It is, however, very unlikely that total imports into Eastern Europe from Western countries will expand noticeably, especially as the economic downturn in the territory of the former Soviet Union is continuing unabated.

Altogether, the impulses generated by the developing countries, which already acted as a buffer on the cyclically induced weakness of world trade last year, will also make a tangible contribution to its growth this year and next. Resuscitating forces for growth in the industrialized countries, whose economies continue to be decisive for the short-term trend of world trade, will gradually make themselves felt. In all, the volume of world trade in 1992 will probably rise by some 5% and an estimated 6% in 1993. This would be more or less equivalent to the average rate for the second half of the eighties.

Compiled by the Department of World Business Trends of the Hamburg Institute for Economic Research (HWWA)

HWWA Index of World Market Prices of Raw Materials¹ (1975 = 100)

Raw Materials and Groups of Materials	1991		1992					
	AA ²	June	March	April	May	June	10. 7.	24. 7.
Total index	161.8	153.4	151.1	157.8	162.6	171.0	168.0	170.2
Total, excl. energy raw materials	136.4	133.0	131.3	132.3	133.8	135.7	137.0	138.2
Food, tropical beverages	89.0	87.2	90.4	89.3	90.5	91.9	90.2	87.9
Industrial raw materials	172.5	167.9	162.4	165.1	166.7	169.2	172.6	176.5
Agricultural raw materials	182.0	180.2	166.2	171.7	173.9	175.5	176.7	179.9
Non-ferrous metals	174.5	169.0	170.7	171.8	172.8	175.8	183.4	188.6
Energy raw materials	176.6	165.2	162.6	172.7	179.4	191.6	186.2	188.9

¹ On dollar basis. ² Annual Average.