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co-operation of the two communities Spain will have to apply for membership with no chance then to enforce special regulations for industrial branches that still require protection should lead to a speeding up of government negotiations.

Through Spain's membership the EEC would expand its European area by one quarter and its population by one sixth. The result would be a large expansion of

its area with not yet assessable chances for investment and sales and a source of new labour force, together with industrial competition that for the time being does not yet matter much. To Spain, EEC membership means the need for reorientation and adaptation in many fields, but also the chance of a large-scale economic boom and the adjustment of the presently still much lower standard of living to that of the other European countries.

World Business Trends

*Department for Business Trends Research,
The Hamburg Institute for International Economics*

Strong Expansion of World Trade

Also in 1966 world trade increased strongly. From January to September foreign trade turnovers in the Western world (including trade with East-bloc States) surpassed their corresponding values of the previous year by appr. 10%. Although in the second half of the year the growth rate fell somewhat, it will probably also in the whole year 1966 be higher than in 1965 (+ 8.6%). So within the past five years world exports in terms of value have risen by more than one half. In terms of quantity the increase was only little smaller since on an average prices for export goods rose relatively slightly.

Demand for imports in industrial countries has accelerated in 1966. Considerable regional variations reflected the different cyclical trends in the individual economic regions. Import growth in West Europe as a whole increased least (+ 9.6% from January to September, 1966, after + 8.3% in 1965). In the main, the acceleration was rather caused by the overseas industrial countries. Here the strongest stimulations were due to the increase of import values in North America (+ 21.4% after + 14.6%). Moreover, imports in Japan (+ 13.7% after + 2.9%) have recovered again. In contrast to this primary producing countries showed a moderate demand. Imports of developed countries—among them Australia, New Zealand, South Africa—even showed a backward trend (— 5.0% after + 13.3%),

whereas in overseas developing countries imports obviously increased to approximately the same extent only as in 1965 (+ 5.8%).

The increase in demand continued to favour especially the industrial countries, and the differentiation of export growth in the most important economic regions declined considerably. Above all the export growth in Japan fell off distinctly (+ 13.0% after + 26.6%). To a smaller extent this applied also to the West European countries (+ 9.6% after + 11.0%). On the other hand export values in North America increased more strongly again (+ 14.7% after + 3.6%), after—in the previous year—the result had been depressed because of losses due to strikes. Mainly the growth in Australia, New Zealand, and South Africa (+ 8.4% after — 2.1%) contributed to the acceleration of exports of the primary producing countries, whereas—according to first estimations—exports of the overseas developing countries expanded more or less as in the previous year (1965: + 6.0%).

So the further strong increase of world trade in 1966 is again a consequence in particular of a growing economic interdependence of the industrial countries. In North America, for instance, where imports expanded most rapidly in 1966, the exchange between the USA and Canada was by 22% higher from January to July this year than in the previous year.

The increase of imports from West Europe was equally high, and imports from Japan rose even quicker. By + 12%, supplies from primary producing countries increased remarkably, too, though in comparison considerably slower. The importance for West Europe of the North American import pull can be seen from the fact that from January to August almost 70% of additional exports to other countries were apportioned to North America.

The foreign trade figures of the industrial countries (OECD) which are available, regionally subdivided, until July indicate that the estimates mentioned for the foreign trade of the developing countries (according to statements from the World Monetary Fund) might be somewhat too high for imports and somewhat too small for exports. However, in the course of the year a change in tendency became visible. If normal seasonal fluctuations are left out of consideration, above all imports of developing countries from industrial countries seem to have increased for some time.

According to the growth rates of imports and exports in the first half-year a considerable improvement in the trade balance would have followed for the developing countries in 1966. Obviously, export surpluses exceeded the requirements of the balance of payments, for the currency reserves of the developing countries kept increasing steadily up to the middle of the year. On the one hand, in view of high obligations to service

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

Index and commodity group	1965		1966				
	November	February	May	August	November	18. 11.	2. 12.
HWWA-Index ¹ (1952—1956 = 100)	95.3	98.8	96.9	93.5	92.4	92.3	92.3
Foodstuffs	85.1	86.9	85.3	85.1	83.8	83.8	85.0
Raw materials other than foodstuffs	100.2	104.6	102.5	97.6	96.5	96.4	95.8
Fuels	95.6	95.6	95.5	95.4	95.6	95.6	95.6
Raw materials for consumer goods	92.1	92.7	96.3	95.2	91.2	91.1	91.7
Raw materials for capital goods	110.4	121.6	113.8	101.8	101.5	101.1	99.1
Reuter's Index (18. 9. 1931 = 100)	447.6	472.0	463.3	443.0	425.3	424.4	422.2
Moody's Index (31. 12. 1931 = 100)	392.5	414.5	397.4	394.3	369.0	368.6	373.2

¹ Index compiled by the Hamburg Institute for International Economics.

the debts this cannot be undesired, but on the other, the developing countries are still dependent on highest possible imports in order to secure a quick development of their resources so that relaxation of import restrictions would seem natural.

The expected slowdown of the world growth of demand and production next year will also retard the expansion of world trade. In particular imports in North America will hardly increase as rapidly

as hitherto. But also in West Europe the development of imports—except in the strongly expanding economies of France and Italy—will have a moderate trend. However, imports of primary producing countries might continue their increase at the prevailing rate, although thus their foreign trade situation would deteriorate again in the course of 1967 as export revenues will increase more slowly in view of the worsened situation in the commodity markets.

hand, exchange reserves consist mainly of lower qualities, while on the other, imports of lead from the East-bloc to the United States are additionally charged.

In the zinc market the statistical situation has continued to ease. In the first half-year 1966 production in the Western world increased by 7.0% to 1.626 million lgt as compared with the previous year. Consumption, however, rose only by 3.8% to 1.732 million lgt so that the consumption surplus in the Western world declined by roughly 28% to 106,000 lgt.

But as zinc processors reduced their stocks to an increased extent, effective demand in the first half-year 1966 is supposed to have exceeded production by approx. only 27,000 lgt. This deficit was more than covered by stock-pile supplies and East-bloc deliveries. The surplus quantities were absorbed from the market by backings of the producers who this way could prevent a further slipping of prices. But in the long run the producers will not be able to pursue this supporting policy as the financial burden by the stocks having increased to 229,500 lgt already by the end of July 1966 surpasses the bearable size. Therefore talks reportedly have taken place among the West European producers in order to reach a greater price stability this way.

Raw Material Markets

Difference between Lead and Zinc Prices Growing

Whereas lead prices at the London Metal Exchange are continuously weakening (presently the cash price is about 80 £/lgt) zinc prices, after an unsteady development since spring this year, have recovered to more than 100 £/lgt and thus lie above the fixed producer price.

In the Western world lead production increased by 4% to 1.363 million lgt in the first half-year as compared with the previous year, and consumption as well registered a growth of 4% to 1.415 million lgt. The production deficit was opposed by sufficient quantities of lead from American stock-pile sup-

plies and East-bloc deliveries, so the mentioned fall in prices came about. In the United States consumption accelerated and in the first half-year 1966 reached a growth rate of 8% compared with only 2% in the other countries. Although considerable stock-pile supplies were made available the fixed price in the United States did not fall. It is still 14 c/lb. The present London Exchange price, however, corresponds to approx. only 10 c/lb, as here large quantities of lead are offered by the East-bloc. Nevertheless there are hardly any purchases by American processors at the London market. On the one

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