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AIECE Working Group Reports – Spring 1995

Le commerce mondial en 1995-1996

World commodity prices 1994-1996

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Central Planning Bureau
Van Stolkweg 14
P.O.Box 80510
2508 GM The Hague

Telephone +31 70 338 33 80
Telefacs +31 70 338 33 50

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PREFACE

The papers put together in this publication are the half-yearly reports of two working groups of the AIECE, in which the CPB actively participates. The reports, presented on behalf of the groups, form the synthesis of views of many institutes and have their value as such. They do not necessarily reflect the opinion of the reporting institute itself.

AIECE is the Association of European Conjunction Institutes, (in French: Association d'Instituts Européens de Conjoncture Économique), founded in 1957. The AIECE now groups 42 members and observing institutes, representing 20 countries and 4 international organisations (EU, OECD, IMF and ECE). The membership is open to independent European institutes involved in surveying economic development and macroeconomic forecasting. Independent is interpreted as not directly being involved in conducting economic policies and not representing some economic interests. The main objective of the association is to intensify the exchanges between its members with a view to improve their insight into international economic developments.

The Central Planning Bureau is a long-standing member of this organisation, which is appreciated as a valuable platform for exchange of views with mostly non-governmental institutes, next to the Bureau's official contacts with in particular OECD and EU. Moreover, it is a useful source of information when making CPB-forecasts.

Twice a year world economic issues are discussed in the plenary meetings of the AIECE. Major points on the agenda are the general report on the European conjuncture, prepared in turn by one of the institutes, and the presentation of selected special studies. Two standing working groups report on respectively the development of world commodity prices, and on world trade. In a special session reports are discussed on longer-term prospects and structural changes. These reports are meant to give a general assessment of developments in the respective fields. As the results may be interesting also for a wider public, the CPB publishes the working group reports in its Working Paper series.

Spring 1995, the Belgian DULBEA-institute has reported on world trade development on behalf of the Working Group on Foreign Trade. The analyses are largely based on the forecasts provided by the member-institutes with respect to their own country. The working group deals mainly with non-European developments, and places the European figures in a world setting. The assumptions made with respect to the international environment (oil prices, dollar exchange rate etc.) are consensus forecasts, and thus may have required a modification of the data supplied by the respective institutes for their own country. (The latest CPB analyses can be found in: Central

Economic Plan 1995, April 1995). Summarising trade tables with e.g. market growth, calculated import prices, export prices of competitors give the institutes the opportunity to re-assess their forecasts.

The Dutch Central Planning Bureau reported on behalf of the Working Group on Commodity Prices. The group is formed by specialists on raw material prices of the AIECE member institutes. Their half-yearly report evaluates recent development of commodity prices and presents, starting from a set of framework assumptions, detailed price forecasts for a large number of commodity groups for the coming year and a half. One technical assumption made in its report is constant exchange rates, which is the most striking difference with the approach of the trade group. As there is indeed an exchange of information between the working groups, other differences in framework assumptions are usually limited.

Henk Don
Director

**ASSOCIATION D'INSTITUTS EUROPÉENS
DE CONJONCTURE ÉCONOMIQUE**

Groupe de travail du Commerce Mondial

LE COMMERCE MONDIAL EN 1995-1996

Rapport présenté lors de la réunion d'automne de l'A.I.E.C.E
La Haye, 10-12 mai 1995

Rapport préparé par le DULBEA
Tableaux standards préparés par le CPB

Les instituts membres du groupe sont:

COE	Paris
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FTRI	Varsovie
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I. INTRODUCTION¹

L'année 1994 fut caractérisée par une croissance particulièrement dynamique du commerce mondial. Les échanges internationaux de biens se sont accrus de 10% en volume. Ils ont bénéficié de la nette reprise du commerce intra-européen, de la vigueur de la demande intérieure américaine, et de la croissance toujours énergique des économies du Sud-Est asiatique.

La progression du commerce mondial a cependant atteint son maximum à la fin de l'année écoulée. La stabilisation du rythme de croissance de la production des pays industrialisés, à 2,8% cette année et l'année prochaine, se traduira par une légère décélération de la progression des échanges internationaux de biens à, respectivement, 8,7 et 7,5% (cf. graphique 1).

Grafique 1 Commerce mondial et activité économique des pays industrialisés

Taux de croissance annuel en volume Source: OCDE

¹ Rappelons que la mission du groupe de travail consiste à réunir les estimations et prévisions des instituts membres de l'A.I.E.C.E. en matière d'échanges extérieurs concernant leur propre pays, et à fournir des perspectives pour les pays ou zones non membres de l'association. Le groupe s'est réuni à Bruxelles les 10 et 11 avril 1995.

II. LES ECHANGES INTERNATIONAUX EN 1994

L'année dernière, l'accroissement des échanges internationaux de biens fut supérieure de près de 3,5% à l'estimation retenue à l'automne dernier. Cette correction reflète essentiellement la progression plus vigoureuse que prévue de l'activité économique dans les pays industrialisés.

La croissance de l'activité économique des pays européens a atteint 2,5% alors qu'elle n'était estimée qu'à 1,9% il y a six mois. Ce redressement est dû à la vigueur de la demande à l'exportation extra-européenne mais également à la forte croissance des échanges intra-européens suite à la reconstitution des stocks des entreprises qui sont riches en contenus importés. Les révisions les plus importantes portent sur le rythme de progression des importations espagnoles, italiennes et des pays scandinaves (cf. graphique 2).

Graphique 2 Révision de la croissance des échanges internationaux en 1994

L'activité économique aux Etats-Unis s'est encore accélérée au quatrième trimestre 94 portant la progression annuelle du PIB à 4,1% contre 3,8% prévus il y a six mois. La croissance des importations a été révisée de 12 à 15% grâce au dynamisme de la demande intérieure.

Au Japon, malgré les plans de relance successifs du gouvernement et l'assouplissement de la politique monétaire nippone, la consommation des ménages et les investissements des entreprises ne se sont pas redressés. Toutefois, les importations japonaises, stimulées par l'appréciation du yen, ont contribué à la vigueur du commerce international de biens.

La progression des importations des pays en voie de développement est due au dynamisme des économies du Sud-Est asiatique et des échanges commerciaux en Amérique latine.

III. PRINCIPALES HYPOTHÈSES D'ENVIRONNEMENT INTERNATIONAL

Stabilisation du dollar américain

Il y a six mois, la plupart des prévisionnistes anticipaient un redressement du taux de change du dollar à 1,65 DM/\$ en 1995, alors que depuis le début de l'année, le dollar s'est déprécié de près de 20% par rapport au yen et de 10% par rapport au DM.

Divers éléments ont contribué à la dépréciation du dollar. Parmi ceux-ci on peut citer:

- La crise du peso mexicain. Après la prise de conscience de la surévaluation du peso en décembre 94, les marchés financiers ont craint que le Mexique, et les autres pays d'Amérique latine, n'utilisent leurs réserves de changes libellées en dollars pour défendre leur monnaie. Cette crainte a provoqué un mouvement de fuite des opérateurs devant le dollar, d'autant que les aides financières accordées au Mexique ont fait redouter la surabondance de l'offre de dollars. La crise mexicaine a également suscité leur méfiance quant à l'avenir des échanges commerciaux de la zone ALENA, en général, et des Etats-Unis en particulier.
- L'aggravation du déficit de la balance des paiements courants des Etats-Unis de 25% en 1994, a renforcé la méfiance des opérateurs financiers envers le dollar qui s'est surtout affaibli par rapport au yen, étant donné l'importance du déficit commercial américain vis-à-vis du Japon.
- Des facteurs saisonniers et accidentels ont également contribué à la chute du dollar, tels que le rapatriement de capitaux des entreprises japonaises à la fin de leur année fiscale, et le tremblement de terre de Kobe qui a accentué ce mouvement.
- La faible crédibilité de la politique budgétaire, dans sa gestion du déficit budgétaire, et l'absence de soutien du dollar par la réserve fédérale américaine, doivent également être invoqués.

A l'heure actuelle, peu d'arguments plaident en faveur d'un redressement du dollar. La politique monétaire américaine ne devrait pas être plus restrictive car les risques de tensions inflationnistes sont limités par le ralentissement de l'activité économique.

L'inflation importée reste modérée puisque le taux de change effectif² du dollar vis-à-vis de ses pays fournisseurs ne s'est déprécié que de 0,3% en 1994. En effet, le cours du dollar s'est réévalué par rapport aux devises de ses deux principaux partenaires commerciaux à savoir le Canada et le Mexique. Notons également que la dépréciation du dollar par rapport à l'écu fut limitée par la dévaluation de la peseta espagnole et la dépréciation de la lire italienne.

En conséquence, le groupe de travail a retenu une prévision de taux de change de 1,5 DM/\$ et 95 yen/\$ pour 1995 et 1996. Cette prévision est basée sur l'**hypothèse technique** que le taux de change du dollar se maintiendra au niveau qu'il a atteint durant le premier trimestre 1995, et correspond à celui retenu par la moyenne des instituts de l'AIECE et par le groupe des matières premières.

Absence de fortes modifications des parités au sein du SME

Le groupe de travail considère qu'en cas de stabilité du dollar et d'absence de modification de la politique monétaire allemande, le SME n'enregistrera pas de profondes perturbations. Toutefois, les pays souffrant d'incertitudes politiques (Espagne, Italie, Royaume-Uni) pourraient à nouveau être soumis à des mouvements spéculatifs.

Effets d'un dollar plus faible de 10% en 1995 et 1996

NB: Les résultats de cette simulation préliminaire, effectuée par le CPB, sont présentés en annexe.

Avec un dollar à 1,35 DM et 85 yen, les échanges internationaux de biens se ralentiraient, en volume, de 1% en 1995 et de 0,5% en 1996, sous l'impulsion d'une baisse des importations des pays non industrialisés. Les prix du commerce mondial, exprimés en dollar, s'accroîtraient de 3,5%.

Les performances à l'exportation des pays européens, et surtout celles des pays de la zone DM, se réduiraient d'environ 0,7% en 1995 et 1996, et la croissance européenne serait plus faible que les prévisions retenues actuellement, sans tenir compte des éventuelles perturbations monétaires que la faiblesse du dollar pourrait provoquer. Notons toutefois que les effets de la dépréciation du dollar sur les perspectives commerciales européennes seraient limités par la destination essentiellement intra-européenne des exportations.

Par contre, le Japon sera nettement plus défavorisé par l'orientation géographique de ses exportations qui sont en grande partie destinées à des pays où les échanges

² Rappelons que le taux de change effectif réel est un indicateur de compétitivité: il prend en compte la compétitivité à l'exportation et à l'importation. Une baisse indique une amélioration de la position concurrentielle.

commerciaux sont libellés en dollar. Une nouvelle appréciation du yen réduirait les performances à l'exportation du Japon de plus de 2% en 1995 et de 1,3% en 1996. Cette situation ferait peser de nombreux risques sur la concrétisation de la reprise japonaise.

Ralentissement en douceur de l'économie américaine

L'acquis de croissance économique du dernier trimestre 1994 a conduit la plupart des prévisionnistes à réévaluer la progression du PIB américain en 1995 à plus de 3% (contre 2,75% prévus il y a six mois, cf. tableau 1). Cette révision n'a toutefois pas modifié la prévision d'un atterrissage en douceur de l'économie à un rythme de progression de 2% l'année prochaine.

Les composantes de la croissance américaine seront modifiées. La dépréciation du dollar se traduira par une contribution positive des exportations nettes tandis que la demande intérieure américaine, et plus particulièrement, les dépenses en logement et de biens de consommation des ménages, se ralentira en réaction à la hausse des taux d'intérêts du début de l'année 1994.

Tableau 1 Croissance économique des pays industrialisés

Variation du PIB en volume (%)	1994 ^e		1995 ^p		1996 ^p
	9/94	4/95	9/94	4/95	4/95
OCDE Europe	1,9	2,5	2,7	3,0	3,1
Etats-Unis	3,8	4,1	2,75	3,1	2,0
Japon	1,0	0,6	2,6	1,5	3,2
OCDE	2,6	2,8	2,8	2,8	2,8

e: estimation p: prévision

Reprise différée de l'économie japonaise

Cette année, l'appréciation du yen (et la perte de compétitivité prix qui en découle), exercera à nouveau un frein important à la croissance économique japonaise dont la prévision a déjà été abaissée de 2,6 à 1,5%. Toutefois, l'assainissement financier des entreprises japonaises et le redressement progressif des dépenses de consommation des ménages, soutenues par la reprise de l'emploi, permettront une accélération de l'activité économique jusqu'à 3% l'année prochaine. Cette prévision est cependant exposée à l'incertitude qui pèse sur l'évolution du yen et par conséquent sur les performances à l'exportation des entreprises japonaises qui risquent de délocaliser leur production vers des pays à coûts salariaux plus faibles.

La croissance européenne se poursuivra à un rythme de 3% par an

Cette année, c'est la demande intérieure (investissements en tête) qui, prenant le relais de la demande à l'exportation, contribuera de façon plus importante à la croissance

européenne, grâce à la reprise de la confiance des entreprises et des ménages. Seuls le Royaume-Uni et les pays scandinaves, qui se sont redressé plus rapidement que le reste de l'Europe, enregistreront une légère décélération. L'année prochaine la croissance économique européenne se poursuivra à un rythme non inflationniste de 3% par an.

IV. LE COMMERCE INTERNATIONAL EN PRIX

Le prix du pétrole se redresse légèrement cette année mais se stabilisera l'année prochaine

Au cours de ces neuf derniers mois, les prix du pétrole ont fluctué à moins de 17 \$/baril, soit un niveau légèrement supérieur aux 15,7 \$ atteints en 1994 (cf. tableau 2). L'année dernière, la demande de pétrole s'était pourtant redressée de plus de 1%, grâce à la croissance des économies en développement, et les pays membres de l'OPEP avaient respecté leurs quotas de production. La stabilité des prix du pétrole est en fait due à la croissance de l'offre en provenance d'Alaska et de Mer du Nord ainsi qu'à la hausse des quantités de pétrole russe disponibles pour l'exportation, suite à la diminution de la demande nationale.

Malgré une progression toujours dynamique de la demande mondiale de pétrole en 1995 et 1996, et malgré la dépréciation du dollar, les prix du pétrole devraient se stabiliser à 16,7 \$/baril. Cette prévision est basée sur la double hypothèse que l'embargo irakien ne sera pas levé d'ici 1996 (ou tout au moins pas entièrement), et que l'offre de pétrole des pays non-membres de l'OPEP s'accroîtra encore.

Tableau 2 *Prix du commerce international*

Prévisions formulées en	1994 ^e		1995 ^p		1996 ^p
	9/94	4/95	9/94	4/95	4/95
DM/\$	1,62	1,623	1,65	1,5	1,5
Yen/\$	104,0	102,0	104,0	95,0	95,0
Crude oil price \$/baril (1)	16,0	15,7	16,5	16,7	16,7
Prix matières premières \$ (2)	19,0	19,0	12,0	18,0	2,0
Prix produits manufacturés \$	1,0	1,5	1,0	3,4	1,2

e: estimation p: prévision

(1) Prix à l'importation de l'OCDE de pétrole brut

(2) HWWA index à l'exception de l'énergie

Les prix des matières premières se stabiliseront l'année prochaine

Il y a six mois l'on considérait que la hausse spectaculaire des prix des matières premières était principalement attribuable à un mouvement spéculatif qui prendrait rapidement fin et pourrait entraîner une chute des prix. Or, au cours du premier trimestre 1995, les prix se sont encore nettement accrus, signe que la demande internationale de matières premières est toujours soutenue par la hausse des importations des pays de l'OCDE.

Cependant, l'essentiel de la hausse des prix est derrière nous, et un net ralentissement est attendu au cours du second semestre 1995. Il sera suivi d'une stabilisation en 1996, elle-même liée au ralentissement de la demande et à l'absence de nouvelle modification du cours de change du dollar.

Les prix des produits manufacturés en faible croissance

La dépréciation du dollar en 1995 est à l'origine de la révision à la hausse des prix des produits manufacturés à 3,4% contre 1% il y a six mois. L'année prochaine, cet effet ne jouera plus et les prix ne s'accroîtront plus que de 1,2%. La faible progression des prix industriels contraste avec la vigueur de la demande internationale. Par contre, elle s'explique par le contexte de concurrence internationale accrue, et par la hausse limitée des coûts salariaux par unité produite des pays industriels qui résulte de gains de productivité et/ou de modération salariale.

V. LE COMMERCE MONDIAL EN VOLUME

Les importations décélèrent progressivement

Le rythme de progression des échanges internationaux de biens a atteint son maximum au cours du dernier trimestre 1994. La plupart des facteurs qui ont soutenu le commerce mondial l'année dernière ne seront plus reproductibles cette année. La progression des importations se ralentira donc à moins de 9% (cf. tableau 3) sous l'impact

- de la moindre croissance de la demande intérieure américaine,
- du léger ralentissement des importations de l'Espagne et de l'Italie suite, respectivement, à la dévaluation et à la dépréciation de leur monnaie,
- du risque de réduction des importations mexicaines et des autres pays d'Amérique latine.

Tableau 3 *Le commerce mondial en volume*

	Part*	Exportations			Part*	Importations		
		1994 ^e	1995 ^p	1996 ^p		1994 ^e	1995 ^p	1996 ^p
Europe Ouest	39,6	9,4	8,0	6,3	38,6	7,9	7,0	6,3
Etats-Unis	12,6	10,5	13,0	9,0	16,6	14,9	10,0	6,5
Japon	9,7	0,9	3,5	5,5	5,9	12,2	13,0	11,0
OCDE	70,3	8,7	8,5	6,7	69,5	10,0	8,4	6,9
Europe Est	3,1	10,0	8,0	8,0	3,1	8,0	7,0	8,0
Autres PVD	21,6	12,0	11,0	11,0	23,6	14,0	11,0	11,0
OPEP	5,0	5,0	5,0	5,0	3,8	-5,0	0,0	3,0
MONDE	100	9,3	8,5	7,4	100	10,3	8,8	7,9

e: estimation p: prévision

* Poids relatifs à prix courants de 1993

Par contre, les importations japonaises pourraient encore s'accélérer grâce à la reprise progressive de la demande intérieure et à l'appréciation du yen qui, en modifiant les prix relatifs, se traduit par une plus grande élasticité des importations japonaises.

L'année prochaine la décélération du commerce mondial se poursuivra sous l'impact de la stabilisation du rythme de croissance des pays industrialisés, et plus particulièrement du ralentissement de l'activité économique américaine.

Les performances à l'exportation sont tributaires des évolutions de taux de change³

Les récentes modifications des taux de changes entraînent des modifications des positions concurrentielles, importantes en 1995 mais plus nuancées en 1996 (cf. graphique 3).

Graphique 3a Appréciation effective vis-à-vis des pays compétiteurs

³ Notons toutefois que la compétitivité prix ne s'évalue pas uniquement en fonction du taux de change mais également en fonction des marges de profits et de l'évolution relative des coûts salariaux.

Graphique 3b Performances à l'exportation

Les exportations américaines seront dopées par la dépréciation du dollar. En 1995, le taux de change effectif de la monnaie américaine se dépréciera de 2,0% vis-à-vis des pays compétiteurs, ce qui permettra aux Etats-Unis de réaliser d'importants gains de parts de marché (3,3%). En 1996, la progression des exportations américaines se ralentira de 13 à 9% suite à la récession mexicaine et à l'effet des restrictions budgétaires sur la demande intérieure du Canada. La décélération du marché à l'exportation américain, en 1995 et 1996, sera toutefois compensée par l'amélioration du taux de pénétration des exportations américaines au Japon et dans la plupart des pays européens.

Au Japon, des évolutions inverses seront observées. L'appréciation du yen se traduit par une perte de compétitivité des exportations japonaises vis-à-vis des Etats-Unis mais également des pays du Sud-Est asiatique, où les échanges commerciaux sont libellés en dollar. En 1994, le Japon a déjà perdu 9,8% de ses parts de marché. En 1995, les performances à l'exportation des entreprises japonaises se réduiront encore de plus de 5% tandis que la réduction sera plus limitée en 1996. Les exportations japonaises s'accroîtront même de 5,5% grâce au dynamisme du marché à l'exportation.

En Europe, l'impact de la dépréciation de la devise américaine sur les performances à l'exportation des entreprises européennes s'exercera surtout en 1996, tandis qu'au cours de l'année courante, les parts de marché des entreprises s'accroîtront encore de 0,2% grâce à des évolutions très différentes selon les pays (cf. graphique 4).

Graphique 4a Appréciation effective vis-à-vis des pays compétiteurs

- La dépréciation effective de la peseta espagnole (3,1% en 1995) et de la lire italienne (5,8% en 1995) vis-à-vis de leurs compétiteurs, permettront à ces deux pays d'enregistrer de nouveaux gains de parts de marché en 1995 comme en 1996.
- L'appréciation effective du franc français (de moins de 2% en 1995 et 1996) sera suivie d'un recul limité des parts de marché des entreprises françaises en 1995 et 1996. Ces pertes se situeront surtout au niveau des exportations de produits agricoles.
- La prévision de faible évolution du taux de change effectif de la Grande-Bretagne en 1995 et 1996 est due à la dépréciation du dollar, mais également au fait que les prévisions ont été élaborées avant les pressions spéculatives qui ont touché la livre sterling. Tout porte à croire que les performances à l'exportation des entreprises britanniques pourront être plus favorables que celles qui sont présentées dans ce rapport.

Graphique 4b Performances à l'exportation

- Malgré une appréciation effective de près de 5% du DM en 1995, les entreprises allemandes enregistreront encore cette année de faibles gains de parts de marché. Les exportations allemandes, qui sont essentiellement constituées de biens d'investissements, bénéficieront de la reprise des investissements européens. Par contre, l'année prochaine, cette perte de compétitivité prix réduira les performances à l'exportation de l'Allemagne de 2%.
- Notons également que l'appréciation effective du taux de change des pays de la zone DM (Pays-Bas et Belgique) se traduira par des pertes de parts de marché en 1995 et 1996.

Au total, les exportations de l'Europe occidentale progresseraient de 8 et 6,3% en 1995 et 1996, et les pertes de parts de marché atteindront 0,8% en 1996.

Les exportations des pays en voie de développement bénéficieront de la demande des pays industrialisés, mais surtout de la dynamique intérieure de cette zone géographique qui est dopée par la croissance vigoureuse des économies du Sud-Est asiatique. Celle-ci se poursuivra autour d'un trend de 7% par an (malgré un relatif ralentissement de la Chine). Le commerce à l'intérieur de cette région s'accroît plus rapidement que vis-à-vis de l'extérieur, puisqu'une grande partie des échanges commerciaux a lieu à au

sein de cette région. La dépréciation du peso mexicain, et des monnaies des autres pays d'Amérique latine, pourrait améliorer leur position concurrentielle et leurs performances à l'exportation.

L'analyse des performances à l'exportation des pays d'Europe de l'Est est rendue difficile par l'hétérogénéité de ces différents pays. Toutefois, les économies, qui sont les plus avancées dans les réformes économiques, sont de plus en plus tributaires de la demande d'Europe occidentale. Cette année et l'année prochaine, la croissance des économies occidentales permettra une croissance de 8% des exportations des pays d'Europe de l'Est. Le dynamisme du marché à l'exportation compensera l'absence de gains de parts de marché.

Les performances à l'exportation des pays membres de l'OPEP sont amoindries par la hausse de l'offre de pétrole issue de l'extérieur de l'OPEP. Alors que les exportations de pétrole des pays non-membres de l'OPEP ne représentaient que 15% des exportations totales de pétrole en 1992, elles en représentent près de 20% aujourd'hui. En 1995 comme en 1996, le Cartel continuera à perdre des parts de marché.

Annexe 1 Effets d'un dollar plus faible de 10% en 1995 et 1996

I. Sur les échanges internationaux en volume

	Exportations		Importations		Performances	
	1995	1996	1995	1996	1995	1996
Europe Ouest	-1,4	-0,9	-0,2	-0,2	-0,7	-0,6
Etats-Unis	0,8	1,4	-0,1	0,1	2,0	1,7
Japon	-3,8	-1,8	0,1	-0,2	-2,1	-1,3
OCDE	-1,3	-0,6	-0,2	-0,1	-0,4	-0,2
Non-OCDE	-1,0	-0,5	-2,8	-0,6	-0,2	-0,2
Monde	-1,2	-0,6	-1,0	-0,3	-0,2	-0,3

Source: Welplus, CPB

II. Sur les échanges internationaux en prix

	Prix exportations mon. nat.		Prix importations mon. nat.		Termes d'échange		Prix exportations en dollars		Prix importations en dollars	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
	Europe Ouest	-2,9	0	-3,9	-0,2	1,0	0,1	6,3	0,6	5,3
Etats-Unis	0	0	2,0	0,1	-2,0	-0,1	0	0	2,0	0,1
Japon	-2,7	0	-7,4	0,1	4,3	-0,1	7,0	0	2,5	0,1
OCDE	-2,6	0	-3,1	0	0,5	0	5,0	0,3	4,1	0,3
Non-OCDE	0,3	0	1,9	0,1	-1,6	-0,1	0,3	0	1,9	0,1
Monde	-1,7	0	-1,5	0	-0,3	0	3,6	0,2	3,4	0,2

Source: Welplus, CPB

Remarque:

Les effets d'un dollar plus fort de 10%, en 1995 et 1996, sont l'inverse de ceux présentés ci-dessus.

Annex 2 Tableaux détaillés**ANNEXE STATISTIQUE****Tableaux préparés par le CPB****Remarques techniques**

- 1) Ces tableaux sont préparés sur la base des informations fournies par les instituts membres pour leur propre pays, et d'après les estimations du groupe de travail, qui s'est réuni les 10 et 11 avril 1995. Selon la pratique propre à chaque institut, les évaluations de taux de change sont, soit une pure hypothèse technique (fixité à partir de la date de réalisation des prévisions), soit une véritable prévision. Les taux de change des monnaies européennes par rapport au dollar sont déterminés par la parité DM/\$ retenue par le groupe et par les prévisions de change de chaque institut vis-à-vis du DM.
- 2) Les données concernant l'Allemagne se réfèrent à l'ensemble de l'Allemagne.
- 3) Les données concernant l'Europe de l'Est se réfèrent en règle générale au commerce avec les pays de l'OCDE.

**ASSOCIATION D'INSTITUTS EUROPÉENS
DE CONJONCTURE ÉCONOMIQUE**

-Working Group on Commodity Prices-

WORLD COMMODITY PRICES 1994-1996

Report presented to the AIECE spring meeting
The Hague, 10-12 May 1995

by
Herman Stolwijk, Central Planning Bureau

Members of the group are:

- CPB : Centraal Planbureau, The Hague
- COE : Chambre de Commerce et d'Industrie de Paris, Paris
- ETLA : Research Institute of the Finnish Economy, Helsinki
- FTRI : Foreign Trade Research Institute, Warsaw
- HWWA : Institut für Wirtschaftsforschung, Hamburg
- IFO : Institut für Wirtschaftsforschung, München
- IRES : Institut de Recherches Économiques et Sociales, Louvain-la-Neuve
- IfW : Institut für Weltwirtschaft, Kiel

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1. Price developments in the past six months

After six months of consecutive increases, the HWWA-index stabilized in the fourth quarter of 1994 at a level of 157 (1975=100). However, it appeared merely to be a pause, as in the first quarter of this year the index continued its upward movement. The stabilization of the overall index at the end of last year must be fully written on the account of the crude oil price. Contrary to what was expected at our September meeting, and despite the stronger increase in demand, the price of crude oil decreased. Excluding oil, the commodity index showed a substantial increase over the whole period.

The economic upswing in most OECD countries, combined with high growth figures in many Asian countries resulted in an increased demand for cyclically sensitive commodities. Prices of most metals, softwood and woodpulp reacted with strong increases.

Remarkable price increases could also be noted for cotton, wool and rubber. Harvest failures due to pests and diseases and bad weather conditions were an important cause. The index for food and beverages on the other hand has slightly decreased since our previous meeting. Price increases for sugar and most cereals were not enough to compensate the price falls of coffee, tea, tobacco and soybeans.

In table 1 actual price changes are compared with the forecasts made in September. The performance has not been very accurate.

Table 1 October 1994 forecasts and realisations: aggregates

Commodity group	1994/4		1995/1	
	Forecast	Actual	Forecast	Actual
HWWA-total	5	0	2	3
Total excl. crude oil	5	4	2	4
Energy raw materials	4	-3	2	3
Food and tropical beverages	5	-3	-2	-1
Industrial raw materials	5	9	4	6
Agricultural raw materials	8	9	3	8
Non ferrous metals	4	14	3	5
Iron ore, scrap	1	1	8	2

2. Price forecasts until the end of 1996

2.1 Assumptions

The forecasts have been prepared under the following assumptions:

- Both this year and next year economic growth in the OECD countries will remain robust. A slowing down is expected in the United States and to a lesser extent in Western Europe. The Japanese economy will probably recover. OECD GDP growth will decrease from 2.8 per cent this year to 2.6 per cent next year.
- As in 1994, exports will be the main driving force behind the growth. The volume of world trade is expected to increase at a rate of 9 per cent in 1995 and 7 per cent in 1996.
- Asian countries are assumed to continue their high growth rates.
- Inflation, as measured by the export price in dollars of manufactured goods, will amount to 4 per cent this year; a slowing down to 2 per cent is assumed for next year.

Table 2 summarizes these so-called framework assumptions.

Chart 1 Growth of GDP in OECD countries and World Trade, volume, %

Table 2 Framework assumptions, per cent change on previous year

	1994	1995	1996
OECD GDP, volume	2.9	2.8	2.6
World trade, volume	9.0	9.0	7.0
Export price of manufactures	2.5	4.0	2.0
Dollar rate (\$ - DM level)	1.62	1.45 à 1.50	1.45 à 1.50

2.2 Aggregate development

This year **raw material** prices will on average increase by 11 per cent. Excluding crude oil the increase will be even 17 per cent. The greater part of this increase has already materialized. The firm increase on a year by year basis is mainly the result of carry over. For next year a further slight increase is expected.

The aggregate development is the outcome of divergent price developments for food and tropical beverages on the one hand and industrial raw materials on the other. Commodities belonging to the **food and tropical beverages** group will, at an aggregate level, show an increase of 7 per cent this year and a decrease of 4 per cent next year; the latter is mainly the result of falling coffee prices.

The average price of **industrial raw materials** will increase by 24 and 5 per cent this year and next year, respectively. Although the increase is to a large extent related to the economic expansion, market failures and depleting stocks also play an important role.

Table 3 Forecasts: aggregates, per cent change on previous year

	1995	1996
Total	11	1
Total, excl. crude oil	17	2
Food and tropical beverages	7	-4
Industrial raw materials	24	5
– Agricultural raw materials	30	2
– Non ferrous metals	28	7
– Iron ore, scrap	4	12
Energy raw materials	8	0

Chart 2 *Raw material prices, HWWA-index, 1985=100*

2.3 Energy raw materials

Largely because OPEC countries did not stick to the production ceiling of 24.5 million barrels a day they had agreed upon, **crude oil** prices were lower than expected in 1994. Despite an increase in demand by 1.6 per cent, prices decreased by 6 per cent as compared with the average level in 1993. In the fourth quarter of 1994 quotations fluctuated around 16.5 dollars per barrel.

Given the economic upswing in the OECD-countries and the continuing fast economic growth in many Asian countries, a further increase in demand may be expected this year. Because of the devaluation of the dollar, crude oil is quite cheap now in many countries outside the dollar area. Demand will be stimulated by this too.

On the other hand, there is still an ample supply of oil, both from OPEC and from non-OPEC countries as the UK and Norway. Moreover, exports from countries belonging to the former Soviet Union (FSU) are also increasing.

So, although prices did rise slightly above the 17 dollar level in the first quarter of this year, a further significant price rise does not seem very likely. Surprisingly enough, the uncertain situation with respect to the Iraqi oil supply, can be seen as a stabilizing factor in this respect. Up to now it is not very likely that the UN embargo against Iraq will be (completely) lifted in the coming months. However, the number

of UN member states in favour of ending the embargo (e.g. France, Russia, China) is increasing. So the Iraqi oil increasingly 'hangs above the market'. If the embargo is lifted, Iraq could reach its earlier production level of 3.6 million barrels a day within several months. It seems unrealistic that OPEC could absorb that quantity without adjusting the overall production quota. This perspective will prevent steep oil price rises in the foreseeable future. Therefore for 1996 also crude oil prices are not expected to climb far above the 17 dollar level.

The picture on the world **coal** markets has dramatically changed in the past twelve months. While demand has been driven by a strengthening of economic activity in Europe and Asia, supply has been affected by a slowing down in production in response to low export contract prices and by output disruptions that have occurred in a number of export countries. The tightening market balance resulted in a strong upward price pressure. Continuously rising spot quotations surpassed contract prices in 1994. So it is not surprising that contract prices for this year are at a much higher level.

For **steam coal**, the benchmark contract price of South African coal has already increased by 21 per cent this year. Although the gap between spot prices and contract prices has still not yet been closed, adjustments on both sides of the market will hamper further steep price increases. With respect to demand the following developments are of particular importance: In the EU-power sector, especially in the UK, a large number of new gas units will be commissioned this year. Moreover, with a jump in coal prices and only a modest rise in crude oil prices, a gradual shift towards gaseous and liquid fuels can be expected in multi-fueled power plants. On the supply side one may expect that the current relatively high prices will stimulate production. According to the National Coal Association of the US, at current prices it is very profitable for US producers to enter the world steam coal market. Steam coal exports from the US, the world's fourth exporter, is forecast to increase in volume by 17 per cent this year.

Taking these factors into account, it seems reasonable to project slightly higher prices for this year; for 1996 stabilizing or somewhat lower prices can be expected.

Like in the case of steam coal, a substantial rise in **coking coal** contract prices can be observed this year. Negotiations between the US coking coal exporters and their European customers have resulted in a price rise by nearly 10 per cent. Contract negotiations between Japanese steel mills and their Australian and Canadian coal suppliers have not yet been concluded, but similar price increases are expected. In view of the appreciation of the Australian dollar in the last twelve months, such a rise would be necessary for Australian exporters in order to stay with last year's prices in national currency terms. Due to the tightness of the market, a consequence of rising

blastfurnace steel production, low coking coal stocks and output disruptions, the negotiation position of coking coal exporters is strong. So it is very likely that the market will remain strong this year and 1996. On the other hand consumption is not expected to increase much next year. Forecasts for the US even point to a decrease. Therefore possible price rises next year will be not as high as this year.

Table 4 Energy raw materials, HWWA-index, 1975=100 and percentage change on previous period

	94/3	94/4	95/1	95/2	95/3	95/4	96/1	96/2	96/3	96/4	94	95	96
Energy raw materials	161	157	162	160	160	165	165	162	158	159	150	162	161
	6	-3	3	-1	0	3	0	-1	-3	1	-5	8	0
Coal	199	200	207	224	224	224	224	230	230	230	194	220	229
	4	1	3	8	0	0	0	3	0	0	4	13	4
Crude oil	158	153	157	154	154	159	159	156	151	153	146	156	155
	7	-3	3	-2	0	3	0	-2	-3	1	-6	7	-1

Chart 3 Energy prices, HWWA-index, 1985=100

2.4 Metals and minerals

In the final quarter of 1994 non-ferrous metal prices not only continued their rally which had started a year earlier, but they even accelerated their increase. While at the beginning of that price hausse speculative fund buying rather than market fundamentals seemed to be the driving force, now it is obvious that the market balance too has turned in favour of producers. Manufacturers were forced to replenish their stocks and inventories at the LME dwindled more than expected. Only recently, with funds securing their profits, prices have slightly retreated.

The favourable business outlook for 1995 will pave the way for a continued strong demand. However, as the now improved market conditions will induce producers to enlarge output, prices are expected to go up only moderately. But, because of the large carry over prices still will gain around 28 per cent on average compared with last year. Next year an average price increase of 7 per cent is foreseen as the economic upswing will slow down in the US and also some slowing of demand growth is foreseen in Western Europe in the second half of 1996.

Prices of **aluminium** rose by 21 per cent in the final quarter of last year and still continued their upward trend by 10 per cent in January of this year. Only in February and early March the sharp increase of aluminium prices was partially reversed. Besides the surge in consumption of nearly 6 per cent in 1994, the memorandum of understanding, which committed main aluminium producers to cut production considerably, was the main reason for the price strength. Although Russia has signed the memorandum, it enlarged more than ever exports to the Western World. By shipping around 2 million tons net to Western markets, it nearly compensated for the Western world supply deficit in 1994. However, as Western world production was cut by 4 per cent, stocks, especially at the LME, reduced. Up to now the target of cutting aluminium production under the memorandum is still in force officially. But there are signs that Russia, as well as some Western exporters, are no more willing to stick to the agreement as market fundamentals have improved. Another growth of aluminium consumption of around 4 per cent will leave room for expanding production. However, also this year Western countries will face a supply deficit of slightly over 2 million tons. Because of various internal difficulties in production and shipping, Russia is expected to ship not more than 1.6 million tons to the West and world stocks are forecast to decrease further. As a consequence prices will go up. They are forecast to increase to around 2,000 dollar/ton in the second half of this year.

Next year aluminium stocks will shrink further with a continued strength of demand and production lagging behind so that prices may gain another 7 per cent.

Copper prices soared in late 1994 and January 1995 up to 3,006 dollars a ton. Like aluminium, copper became somewhat cheaper in February/March when some fund liquidation took place.

At the end of 1994 a production deficit in the Western world occurred which was only compensated half by net exports from Eastern countries. Therefore stocks were drawn down considerably. This year another 3 per cent growth of copper consumption is expected. Due to the earthquake damages, consumption will especially be strong in Japan. On the other hand, production will probably expand even more as new capacity is coming on stream. Despite this, a sizable production gap will again result which will only partly be offset by net exports from Eastern countries. World stocks will continue to shrink. There is uncertainty on China's import volumes. Although import needs are very high, less money than in previous years will be available for copper buying in an effort to cool down inflation. The currency crises in Mexico will hamper growth in South American copper demand too. These developments will soften the supply squeeze. Therefore copper prices are forecast to go up by only 6 per cent in the remainder of the year. A slow down of consumption in 1996, when the US demand will be weaker than in the current year and another push of production will reduce the world supply deficit to 250,000 tons. However, because merchant stocks will reach very low levels, prices will remain high. They will probably even slightly improve in 1996.

After a downturn of 25 per cent in 1993, **lead** prices recovered by 35 per cent last year. Also in January this year prices gained, but, due to profit taking by speculators, they bounced back recently by around 14 per cent. As the replacement season of batteries is over now, the outlook for car production will dominate the demand for batteries and, consequently, price expectations for lead.

Last year the US boom in car sales and the recovery of demand in Europe have driven lead prices upward. A slight production deficit in the Western world, amounting to 50,000 tons, and net exports of 30,000 tons by the FSU resulted in a supply deficit drawing down world stocks. Automotive industries are forecast to grow further in Europe, Japan and South-East Asia. Also the US will envisage continued economic growth. Lead consumption is estimated to be up by 2 per cent. Production outside the Eastern countries will lack behind consumption. As deliveries from Eastern countries will be reduced considerably, a supply deficit of 62,000 tons is expected. So, world stocks will again come down. Therefore prices will steadily rise in the next three quarters of the year.

In 1996 the outlook for the car industry in the US will probably deteriorate somewhat. However, as the recovery of the car sector in other parts of the Western world will continue, lead consumption will gain another 2 per cent. If net exports from Eastern countries stabilize, world stocks will be drawn down by another 85,000 tons and prices will increase further.

Zinc prices only gained 4 per cent on average last year. Despite a consumption increase of 4 per cent and an output reduction in the Western world of 1.5 per cent, the huge amount of stocks was only reduced by 70,000 tons as net exports from Eastern countries and China remained unexpectedly high. A fear of shortage in zinc concentrates, which would also reduce refined output, has revealed to be groundless, as closed mines were reopened and new ones came on stream.

Western world consumption is expected to grow by 2.6 per cent up to 5.95 million tons this year. Output of Western world will be 5.45 million tons. The resulting deficit will partly be covered by net exports from Eastern countries and partly by a supply from stocks. Nevertheless, stocks will remain high and prices are forecast to gain some 10 per cent only.

Next year a similar market outlook is forecast. Only some slight overall reduction in consumption growth is expected. Prices should climb further, albeit somewhat slower.

In the first quarter of 1995 **tin** prices are 9 per cent up compared with the same period last year. Similar to other non-ferrous metals the price surge around the turn of the year did not hold and prices bounced back in February/March as funds partly liquidated their positions. Tin demand in the Western world markedly recovered last year. A record deficit in the Western world balance was met mainly by Chinese exports and deliveries from the strategic US stockpile.

Because of the huge world stocks, the recovery of the tin price was limited. The efforts of tin producing countries to restrict export by voluntary quotas failed to succeed. Although China was welcomed last year as a new member of the Association of Tin Producing Countries and promised to restrict exports at 20,000 tons it failed to meet this target. Instead 35,000 tons were exported by Chinese sources. The other main exporter which is until now not integrated into the Association, Brazil, has promised to join the producers club in the course of this year. Then the Association will control 80 per cent of world supply. However, whether all members will stick to the restrictions will be unsure.

Tin use may somewhat regain market shares in can manufacturing as aluminium prices have soared and some can manufacturers are considering to switch to steel cans. But, as world stocks remain high, the price recovery will be limited. Next year a similar market outlook will see prices slightly increase.

Nickel prices showed a strong upward trend in the last months of 1994. Prices reflected a significant increase in stainless steel demand in the Western world. The main concern of nickel consumers was the uncertainty of Russian nickel supplies. Any disruption of these flows would have altered the market balance dramatically towards a supply squeeze. However, Russian exports were maintained at the level of 1993, filling 70 per cent of the production deficit of Western countries. Therefore stocks could remain very high. They do not reflect the change in market fundamentals.

This year production in the Western world is expected to be raised by around 4 per cent. Nickel exports of Russia are expected not to shrink so that market supply will not be endangered. Nevertheless, stocks will be drawn down considerably, so prices will rise further during the year. They are forecast to be 44 per cent higher on average this year as compared with 1994.

In 1996 production and consumption of nickel will grow at the same rate and stocks will further dwindle as nickel exports from Russia will not compensate for the output deficit of the Western world. That will drive prices up again.

Table 5 Metals and minerals, HWWA-index, 1975=100 and percentage change on previous period

	94/3	94/4	95/1	95/2	95/3	95/4	96/1	96/2	96/3	96/4	94	95	96
Non-ferrous metals	177 11	201 14	212 5	215 2	222 3	224 1	229 2	235 2	235 0	235 0	171 18	218 28	233 7
Aluminium, GB	218 13	263 21	277 5	277 0	291 5	291 0	300 3	306 2	306 0	306 0	213 32	284 33	305 7
Lead, GB	143 22	157 10	148 -6	152 3	155 2	158 2	163 3	166 2	166 0	166 0	133 35	153 15	166 8
Copper, GB	199 15	225 13	238 6	243 2	250 3	253 1	258 2	263 2	263 0	263 0	187 21	246 31	261 6
Nickel, GB	151 3	187 24	217 16	223 3	230 3	230 0	237 3	244 3	244 0	244 0	156 20	225 44	242 8
Zinc, GB	130 2	149 15	144 -4	147 2	151 3	154 2	159 3	165 4	165 0	165 0	134 4	149 11	164 10
Tin, GB	77 -4	86 11	84 -2	84 0	85 2	85 0	88 3	90 3	90 0	90 0	80 6	84 6	90 6
Iron ore & scrap	148 3	150 1	152 2	151 -1	152 1	152 0	170 11	170 0	169 0	169 0	146 5	152 4	169 12
Iron ore, Can	138 0	138 0	138 0	138 0	138 0	138 0	159 15	159 0	159 0	159 0	138 -1	138 0	159 15
Steel scrap, USA	190 0	186 -2	188 1	181 -4	186 3	190 2	190 0	190 0	186 -2	186 0	189 19	186 -1	190 1

Last year world **steel** markets rebounded strongly from the deep recession. In the Western world apparent consumption increased to a record level. This record was

reached by an increasing demand from the rapidly growing developing countries in South-East Asia and Latin America and a small increase in consumption in industrialized countries. World production of raw steel (68 countries), on the other hand, declined. This was mainly due to the (continued) fall in production in the FSU. The Japanese steel industry is still suffering from low growth in domestic demand and a decrease in price competitiveness of its export products. US production has led the steel cycle of industrial countries. Capacity utilization is currently over 90 per cent, although growth in demand is beginning to slow down as the US economy is gradually cooling off.

In the EU-12 the production of raw steel increased last year by 5 per cent. The increase reflected a better demand as e.g. the car industry began to recover. Prices of flat steels were rebounding strongly last year. The price of reinforcing rounds (RR) increased by 11 per cent. The rapid growth in steel consumption in the developing countries is assumed to continue. Therefore a further increase in the price of RR seems most likely.

Chart 4 Metal and mineral prices, HWWA-index, 1985=100

The price of **steel scrap** rose strongly in 1993. This price rise was one of the first signs of a stronger-than-expected recovery in the industrialized countries. Last year the price dropped during spring but recovered afterwards. The increase has been due to an increasing demand for scrap induced by the improved economic situation. Also, the former centrally planned economies need more scrap for domestic reasons and are, therefore, reducing exports. The good price level is intensifying scrap collection and encouraging the supply of substitutes like direct reduced iron and pig iron.

The price of scrap reached record levels in the beginning of this year. In spite, again, of a drop in prices later this spring, the market situation is expected to tighten as steel production is generally increasing. The increased supply of scrap as well as its substitutes, however, will keep a lid on prices. They are expected to fluctuate around a high level until autumn next year.

In the beginning of this year the price of Itabira fines, the indicator price for **iron ore** increased by nearly 6 per cent to 27 cents per metric ton. However, the price is still 19 per cent below the peak in 1991. If we take into account the strongly improving situation in the steel markets, the increase in price was not particularly large. Australian and Brazilian mining companies are mining at near full capacity, however it is difficult to increase the shipments by sea. Changes in technology have favoured scrap for ore, but the increase in steel production is outweighing this effect. Therefore the market situation for ore will probably tighten. As a consequence the price of iron ore is expected to increase.

The price of **manganese ore** dropped three years in a row until this year. The price is agreed normally for the Japanese fiscal years (May-April). In the 1994 negotiations most suppliers tried to roll over the previous prices. However, one Australian mining company accepted a decrease in the price from 2.04 dollars per metric ton unit to 1.95 dollars. This price is generally regarded as too low, especially because of the fast reviving steel industry. It is assumed therefore that the average price will increase somewhat in the coming fiscal year 95/96. The tightening market situation is forecast to lead to a price increase. In our forecast it is assumed that US Defense Logistic Agency does not utilize its right to sell ore and disturb the markets. For that situation to occur, prices still seem too low.

The price of **tungsten** continued to increase until the beginning of this year. The markets are dominated by one big producer, China. China produces over half of the global output. The rapid rise in the price reflects, to a great extent, the increased costs for Chinese producers which are mainly due to new taxes and abolished subsidies. However, the higher prices have stimulated supply from FSU countries as well as from Western countries.

For the coming period, the price of tungsten is expected to increase further. Demand is increasing as the declining trend in tungsten intensity (tungsten ore/steel production) is ceasing and steel production is increasing. Both developments point to an upward movement in ore prices. In the forecast the price of ore is supposed to increase to 70 dollars in the second half of this year. For the first half of 1996 even higher prices cannot be excluded.

2.5 Agricultural raw materials

The recovery in **woodpulp** prices, which started in the beginning of 1994, has been one of the steepest since World War II. A new hike of 75 dollars occurred on March 1st and further rises are expected.

Demand for pulp is strong in North America, Europe and Asia. Moreover, stocks are low. Pulp producers are pushing prices up as fast as possible to offset the enormous losses undergone in the early nineties.

Most American paper experts are forecasting that from the second half of 1995 onwards, pulp prices will start to decline. On the other hand some European experts believe that the price upswing will carry on until the end of the year. Some even expect that pulp prices will break the 1,000 dollars ceiling. Their argument is that paper producers will take advantage of the US slowdown in final demand to rebuild inventories, which are too low at the moment.

Our view lies somewhere in between. Although woodpulp prices are well above their break-even point at the moment, prices will increase further in the coming months. However, in the face of a slowdown next year in final demand in the US, producers will, from this summer onwards, at best be able to maintain pulp prices stable.

On the European market, **softwood** prices increased sharply in 1994. This was mainly the result of a strong upswing in the UK and the German housing market. Housing prospects are crucial for softwood prices. In Germany, building permits have passed the peak. Orders for residential construction reached their top at the end of 1993 and fell heavily in the second half of 1994. The influx of immigrants, which initiated the housing boom in 1989, is now slowing down quickly and is expected to come to a standstill by the end of the century. In addition, the growth of the UK housing market will probably also gradually slow down in the wake of higher interest rates, while the French market remains fragile.

On the supply side, the contraction of the US housing market, which is already underway, will lead to an increase of Canadian exports to Europe. As a result, the pace of growth in softwood prices will slow down this year. It could even become negative in 1996.

Prices of **tropical timber**, which rallied in 1993, kept increasing at a rather strong and steady pace throughout most of 1994. The economic recovery in Europe coupled with a continuous growth in the Japanese housing market are the main factors behind this improvement. The upswing in prices is bolstered by new restrictions on tropical timber supply in a number of major Asian producer countries such as Malaysia and Indonesia. These new restrictions reflect both economic and environmental concerns. The upward trend in prices will probably carry on into this year as economic growth will be sustained at a rather high level in Europe and will increase in Japan. Therefore, tropical timber demand and prices are forecast to increase further in 1996 also.

Table 6 Agricultural raw materials, HWWA-index, 1975=100 and percentage change on previous period

	94/3	94/4	95/1	95/2	95/3	95/4	96/1	96/2	96/3	96/4	94	95	96
Agricultural raw materials	178 8	194 9	210 8	225 7	231 3	231 0	231 0	231 0	227 -2	224 -1	172 22	224 30	228 2
Cotton, USA	149 -11	152 2	204 35	225 10	191 -15	179 -6	181 1	187 3	175 -6	167 -5	156 24	200 28	178 -11
Sisal, GB	96 2	97 1	97 0	100 3	100 0	100 0	103 3	103 0	105 2	105 0	95 10	99 4	104 5
Wool, Aus	161 14	174 9	191 9	203 6	211 4	215 2	217 1	217 0	213 -2	211 -1	150 45	205 37	214 5
Hides, USA	397 6	407 3	415 2	436 5	444 2	444 0	436 -2	436 0	436 0	436 0	377 10	435 15	436 0
Softwood, Swe	195 12	214 10	211 -1	215 2	219 2	224 2	224 0	224 0	219 -2	215 -2	186 25	217 17	220 1
Woodpulp, Fra	148 10	173 17	187 8	206 10	231 12	231 0	231 0	231 0	231 0	231 0	143 25	214 49	231 8
Rubber, USA	148 0	148 0	200 36	220 10	216 -2	205 -5	209 2	209 0	193 -8	183 -5	148 -2	211 43	199 -6

Chart 5 Agrucultural raw material prices, HWWA-index, 1985=100

The dynamic demand for leather caused by increasing incomes in industrial, and particularly Asian, countries leads to increasing quotations for **cattle hides**. Only in 1996 when growth rates might slowdown somewhat, and cattle slaughtering will keep pace with increasing beef demand, prices for cattle hides could slightly fall.

In the first quarter of this year the **cotton** price overcame 100 cents per lb. Such an event was unforeseeable six months ago. Last summer analysts were expecting a roughly balanced market for cotton for this season. However, at the end of October, the cotton market changed drastically as it appeared that the cotton crop in the Indian sub-continent and Egypt would fall short of expectations. A few weeks later exporting countries of the FSU announced that their crops would be smaller than expected too. According to recent evaluations of the International Cotton Advisory Committee the production gap this season will amount to 300,000 tons. This amount can easily be supplied by available inventories. Moreover, the high prices will stimulate farmers, especially those in the US, to increase their planted area. The high price level has, in addition, also put a brake on consumption and favoured the substitution of man-made fibers. Therefore we do not think that the period of high cotton prices will last very

long. On the other hand, because stocks are low, it is not very likely that prices will fall below 80 cents per lb.

At the beginning of this year **wool** prices reached their pre-crisis level again. Inventories have been liquidated, and, due to the economic recovery, demand for wool has increased. Moreover, due to a severe drought production in Australia has been drastically reduced this season. Wool production has also decreased in New Zealand, Russia and South Africa.

As the economies of the main wool consuming countries continue to recover, demand is expected to increase. On the other hand, farmers are stimulated by the high price level to increase production. However, the severe drought has a negative effect on female sheep fertility. Therefore, in the short term, production will increase only moderately.

In view of supply and demand factors, it seems reasonable to assume that the current high price level will, for the time being, continue. Only from the third quarter of 1996 onwards a slow downward movement of wool prices can be expected.

Although **sisal** production increased last year, production is still well below the average level in the eighties and early nineties. As demand is fairly stable, prices, which were already relatively high last year, have further increased. Since stocks are low, there is no indication that the period of high prices will soon come to an end. In our forecast we proceed from slightly higher prices.

Rubber prices which remained flat all over 1994, sky-rocketed in the first quarter of this year. Production in Indonesia, Thailand and Malaysia, which together account for about 80 per cent of global rubber production, was reduced by huge forest fires, bad weather conditions and an increasing lack of labour. On the demand side the car industry performed very well.

The high price level will have a positive impact on production, notably in Malaysia where many plantations, not exploited in recent years, can easily be taken in cultivation again. But, as demand will remain strong, this will only prevent a further increase in prices. Only in the longer term, i.e. from the third quarter next year onwards, a relaxation of rubber prices is foreseen.

2.6 Food and tropical beverages

The marked increase of international **wheat** prices during summer 1994 came to an end at the turn of the year. Since January 1995 quotations have dropped slightly despite a production deficit, an expected all time low of the stock/consumption ratio at the end of the marketing year 1994/95 and a depreciating dollar. The main reason is to be seen in the optimistic production outlook for the 1995 harvest. An expansion

of production is expected in the US, Canada and the EU due to relatively favourable price relations for wheat (compared to maize and oilseeds), no political restriction in the US, where the set aside rate remains zero and - up to now - favourable growth conditions for winter wheat. In addition, a recovery of production is likely in countries, where a drought caused major shortfalls in 1994, i.e. Turkey, Kazakhstan and, in particular, Australia. Despite some concern about a drought in China and ongoing difficulties in countries of the FSU, global production in 1995/96 is expected to increase and slightly surpass the 1993/94 level.

Since an almost parallel recovery in consumption must be expected, the stock/consumption ratio will increase only marginally. Therefore, although the world market prices for wheat will continue to fall during 1995, the fall will be modest. Moreover, because of the low stock level, there is a major risk for pronounced increases.

The international quotations for **maize** came to a turning point at the beginning of 1995 and have increased slightly since then. This reflects changing expectations after a record crop in 1994/95. Despite this, the stock/consumption ratio will be rather low at the end of the current marketing year.

Because of high growth rates in South-East Asia combined with high income elasticities for grain based meat and eggs, demand will continue to increase. On the other hand, production expansion will be rather limited because of rather low prices, record yields in the last season and an unchanged set aside requirement of 7.5 per cent in the US. Therefore quotations for maize this year will remain above last year's level. Only later in 1996 a small price decrease seems likely, particularly if the set aside requirement in the US would be lowered.

Barley prices increased by nearly 20 per cent in 1994. In the first few months of this year, prices have risen by an additional 15 per cent. The huge price rises reflect the sharp decrease in production. This decrease must mainly be written on the account of lower yields in the main producing areas. Until the next crop enters the market, barley prices are expected to stay at the current level. The high prices will stimulate an expansion of the area sown with barley. So, if weather conditions will be normal, production will be significantly higher next (crop-)year. As a consequence prices will probably decrease somewhat.

Because of a record world **rice** production in 1994/95 rice quotations continued to fall during winter 1994/95. And although there will be again a small production deficit on a global scale, there seem to be ample supplies on the commercial markets so that prices are expected to decrease further.

Table 7 Food and tropical beverages, HWWA-index, 1975=100 and percentage change on previous period

	94/3	94/4	95/1	95/2	95/3	95/4	96/1	96/2	96/3	96/4	94	95	96
Food and trop. beverages	125 16	121 -3	120 -1	122 2	123 0	121 -1	119 -1	117 -2	116 -1	113 -2	113 24	121 7	116 -4
Cereals	86 -8	89 3	91 2	91 0	89 -2	89 0	89 0	88 -1	87 -2	87 0	92 6	90 -2	88 -3
Barley, Can	63 2	78 24	80 2	86 8	83 -4	83 0	83 0	79 -4	76 -4	76 0	67 12	83 23	79 -5
Maize, USA	79 -14	75 -5	81 8	84 3	82 -2	82 0	82 0	80 -2	78 -3	78 0	86 6	82 -5	80 -3
Rice, Thai	94 -19	84 -10	80 -5	79 -1	77 -2	77 0	74 -4	74 0	74 0	74 0	100 42	78 -21	74 -5
Wheat, USA	94 5	105 12	100 -5	95 -5	94 -1	94 0	95 1	95 0	95 0	95 0	97 5	96 -1	95 -1
Beverages, tobacco, sugar	152 35	142 -6	138 -3	142 3	143 0	139 -3	136 -2	131 -4	130 -1	125 -4	125 42	141 13	131 -7
Coffee, USA	266 81	235 -12	217 -8	237 9	241 2	232 -4	220 -5	205 -7	199 -3	183 -8	187 118	232 24	202 -13
Cocoa, ICCO	122 12	115 -6	119 -4	124 4	123 -1	122 -1	119 -2	117 -2	119 2	117 -2	112 25	122 9	118 -3
Tea, GB	139 2	134 -3	123 -8	130 6	134 3	138 3	136 -1	134 -2	132 -1	131 -1	134 -2	131 -2	133 2
Tobacco, USA	194 4	178 -8	181 2	185 2	185 0	185 0	192 4	192 0	196 2	196 0	181 1	184 2	194 6
Sugar, USA	58 3	66 14	68 2	60 -11	58 -4	56 -4	56 0	56 0	56 0	56 0	59 19	60 3	56 -8
Oilseeds and oil	112 -6	112 1	112 0	115 3	118 2	119 1	119 0	120 1	120 0	121 1	115 6	116 0	120 4
Soybeans, USA	108 -12	102 -6	103 1	106 3	108 2	109 1	109 0	110 1	110 0	111 1	114 0	106 -7	110 4

Though a dynamic demand on world **beef** markets is likely to surpass production and lead to increasing quotations, prices in the US (our indicator price) are expected to change only marginally as cuts in subsidies, as a consequence of the Uruguay round, will dampen internal quotations.

Chart 6 Food and tropical beverages prices, HWWA-index, 1985=100

Soybean prices have been quite stable in recent months. As the US-crop turned out to be much higher than was forecast in August last year, this is, in a sense, remarkable. The stable prices must be fully written on the account of demand factors. Increased demand, in particular for soybean oil, prevented that the huge US-crop induced a downward movement of prices. This spring the size of the Southern Hemisphere crop will be the single most important price determining factor. According to Oil World the combined production of soybeans in Brazil, Argentina and Paraguay will, for the third year in a row, reach an all time high. Since global production of other oilseeds is expected to increase also, the short term will be characterized by ample supply.

Nevertheless we do not expect a serious decrease in prices. On the contrary, in the projections we have even proceeded from a slight increase in prices in the next couple of months. This rather optimistic price view can be motivated as follows: First, the crushing margin is very high at the moment. This 'unbalance' can only be overcome by a (relative) price increase of beans. The second factor is the huge demand for both oils and, even more, for meals. In view of an expected income growth in many countries and the cheap dollar vis-à-vis a lot of other currencies, one may expect this situation to continue.

In the second half of the year, price developments will be dominated by the US-crop. As the record output achieved in 1994 was largely due to unusually high yields, production in the United States will most probably decrease. Assuming, in addition, that production of other oilseeds will be on trend, the supply situation will be rather balanced. Because demand for meal and oils will be strong (see hereafter), stable or slightly higher prices in the second half of this year and the first half of 1996 seem most likely then.

Soybean oil and **soybean meal** are joint products. Since autumn 1993, bean crushing was mainly geared to oil demand. As a consequence there has been a relative oversupply of meals. These surpluses could only find an outlet via lower prices. Compared with August 1993, meal prices in January this year had decreased by 25 per cent. From then the situation has changed somewhat. As a reaction to the low prices, demand for meal is strong and increasing. Stocks of vegetable oils on the other hand have been rising. As a consequence bean crushing is increasingly dictated by meal demand. So it is not surprising that prices have started to rise. For these demand reasons we believe that prices will keep their upward movement in the coming months. Expressed in local currencies, soybean meal is still very cheap in many countries and competitive with feedgrains. This fact, combined with the increased demand for meat in many Asian countries, implies that meal demand will remain strong. On the other hand, because of the record size of the soybean crop in South America, price increases will be rather modest.

Prices of **soybean oil** have increased sharper than was foreseen in September last year. In January, prices even surpassed the 700 dollar per ton threshold. As production of oilseeds other than soybeans and palm oil came, roughly speaking, up to expectations and production of soybeans was even higher than expected (see under beans), the size of the price rise can only be explained by a very strong global demand.

At the moment prices are under pressure, quotations are well below the 700 dollar now. Moreover, current supply and demand conditions all point to further price decreases. First, stocks of soybean oils have increased in recent months. Second, oil production will be stimulated by the current high crushing margins. Because of the expected bumper crop in South America, which will enter the market this spring, there

will be no shortage of beans in the coming months. Third, there is increasing evidence that Malaysian palm oil production will increase more sharply than was expected only a few months ago. Finally, due to the high prices, world demand growth is weakening somewhat. World demand will only absorb supply at lower prices.

In the second half of the year, prices will be increasingly dictated by oilseed production in the Northern Hemisphere countries. If production develops according to trend, which mainly means that weather conditions will be normal, prices are expected to stay just above the 600 dollar level.

The international **sugar** quotations reached a peak in the first quarter of 1995. This reflected the tight production/consumption balance for 1994/95 with an expected small decrease in the stock/consumption ratio at the end of the marketing year. This is the consequence of production shortfalls in Cuba, the former Soviet Union and in the EU, which will not be completely balanced by increases in South America and Asia. In the second quarter of 1995 the quotations will turn downwards, reflecting expectations for the new harvest in the Northern Hemisphere. Here a reaction of producers on high prices seems likely, particularly in the EU, where the market regulation for sugar, with high protection for producers, has not been changed. With no further production decrease in Eastern European countries and Cuba and a further slight increase in South America and Asia, a slight production surplus could be expected for 1995/96, even with a further moderate increase in consumption. Since the stock/consumption ratio is not extremely low, a small increase in 1995/96 will lead to falling sugar prices during 1995.

In September the ICO indicator price for **coffee** peaked at 202.4 cents/lb. Two consecutive frosts in Brazil followed by prolonged dry weather had driven coffee prices to an 8½-year high. Since the rains came in mid-October the overall trend has been downwards. Consumer hoarding following the frost, hand-to-mouth buying by roasters, and reduced market speculation, also added to the drop in prices. Prices showed again some gains in the first quarter of 1995.

Price development in the near future will be highly dependent on the following three factors: future estimates of the damage to the 1995/96 Brazilian crop, the viability of the export retention scheme of the Central American producers, and the influence of the current high prices on producers and consumers.

With a substantial reduction in stocks and with no indication that stocks will be replenished in the near future the extent of damage done to the crop in Brazil will clearly have an important influence on the market. A release of contradictory figures with respect to the damage will lead to substantial price movements.

With the introduction of a new retention scheme, a copy of the ACPC-scheme in 1993, five Central American countries try to raise the other milds indicator above 170

cts/lb. With the backing of Colombia and Brazil this new retention scheme could be quite influential.

The recent high prices will stimulate production by better husbandry in producing countries. On the other hand high prices will discourage consumption (and perhaps they already have). As a result the future statistical position might not be as tight as was thought likely a few months ago.

Taking into account the recently introduced retention scheme we expect prices to fluctuate at a high level comparable to current prices. In the longer term a decrease in prices is possible but only to levels that are significantly higher than the price levels prior to 1994.

Talks of a withholding scheme for **cocoa**, similar to that operated by coffee producers in 1993 and 1994, does not seem to have worried buyers much. In December 1994 cocoa prices reached a low of 63.1 cts/lb. Prices recovered during the first quarter of 1995. This recovery could partially be attributed to the release of an ICCO forecast in January showing a decrease in production and an increase in consumption during the crop year 1994/95. According to ICCO the supply deficit will amount to 139,000 tonnes.

If a deficit materializes in 1994/95 it will be the fourth in a row. The deficit as forecasted by ICCO is quite large. The opposite position is taken by USDA. In their October forecast they expect a balanced cocoa market for 1994/95. Trade house E.D.&F.Man takes an intermediate stand with a deficit forecast of 89,000 tonnes. As supply is rising faster than demand the deficit in 1994/95 is somewhat smaller than in 1993/94. Ghana, Brazil and Indonesia contribute to the increase in supply. The biggest producer, Ivory Coast, is producing less because of dry weather.

With production in the Ivory Coast returning to normal in 1995/96 the deficit in 1995/96 will be smaller than this year's. As the supply deficit for next year has already been taken account of in current price levels (as analysts say), we expect prices to show some small decreases during the forecasting period. The current weakness of the dollar is preventing the cocoa price to slide faster.

Tea production in India fell by about 2.5 per cent in 1994. This fall could to a large extent be attributed to a smaller crop in the northern part of the country. The crop in Assam and West Bengal was lower because of an early onset of winter and a deliberate stop of plucking in order to prevent prices to fall. Kenyan production was lower too, but less than expected because heavy and widespread rains reversed earlier forecasts the 1994 tea crop would drop sharply. Analysts estimate the 1994 Kenyan crop at just above 205 m kg, only 6 m kg short of the record 211 m kg reached in 1993.

In the short term these shortfalls in production will push prices higher.

Consumption is not buoyant either. Export licences issued by the Indian Tea Board during the eight months up to November last year amounted to 125.53 m kg, compared with 139.81 m kg in the same period a year earlier. This setback in export was almost entirely on the account of FSU countries. Import demand from oil exporting countries is also down. Iran eg. had hardly placed any order at all. With low oil prices demand from the Middle East is not expected to improve. This sluggish demand situation will cause prices to fall in the second half of the forecasting period.

Demand for **tobacco** shows a diverging pattern. In most Western countries demand is decreasing. Publicity about smoking and health issues, increases in excise taxes and a decrease in the social acceptance of cigarettes contribute to a steady decrease in consumption. On the other hand, in the rest of the world demand for cigarettes still increases. Many of these countries stimulate the production of tobacco. Moreover, they are successfully improving the leaf quality. So, although prices are not particularly high, we do not expect a serious change during the forecasting period.

2.7 Shipping rates

At the end of 1994 **tanker** rates increased far more than was foreseen at the last meeting. Rates for small tankers (up to 80,000 tdw) declined, but for large tankers (160,001 tdw and more) there was a sharp increase, especially for shipments from the Persian Gulf. Tanker rates show a seasonal pattern. The current forecast tries to take this into account. It is assumed, that world oil consumption will increase in 1995. Therefore trip charter freight rates for crude oil are expected to rise this year, but are expected to decline somewhat in 1996.

German overall, DM-based, sea freight rates of **liner** trades are more or less stagnating since the beginning of the nineties. They only show some seasonal changes. Liner rates will be pushed up this year by increases in world trade, although the revaluation of the DM against the dollar will have a stabilizing effect. Therefore, rates are forecast to go up from around 74 in the fourth quarter of 1994 to about 76 in 1995. This index level was also reached in 1993. If one assumes that world trade will grow more moderately in 1996 than in 1995, further increases of liner rates do not seem very likely.

Sea freight rates of **tramp** trades stagnated at an index level of about 200 in the last years. However, since mid-1994 there has been an upswing to an average level of 219 in the fourth quarter of 1994. Taking into account a stronger increase in world trade of bulk commodities in 1995, it is assumed that trade rates will stabilize at about this

level. Assuming a lower growth of world trade in 1996 a decline of freight rates lower than 200 seems plausible, taking into account increasing tramp capacities.

Table 8 Commodities not included in the HWWA-index, percentage change on previous period

	94/3	94/4	95/1	95/2	95/3	95/4	96/1	96/2	96/3	96/4	94	95	96
Beef	-9	-1	-1	-1	0	0	1	0	0	0	-11	9	1
Soybean meal	-3	-9	-3	7	2	3	1	1	1	1	-5	-6	7
Soybean oil	5	12	0	-7	-3	-2	-2	0	-2	-2	28	4	-7
Tropical hardwood	4	3	1	2	2	2	2	2	2	2	11	9	3
Steamcoal	3	2	21	2	1	1	2	0	-3	-3	9	27	1
Manganese ore	-9	-1	0	0	3	0	0	0	3	0	-21	-4	3
Tungsten	13	17	14	10	8	0	7	0	-7	0	19	55	10
Steel	0	6	3	4	7	3	6	2	-2	0	-3	15	13
Shipping rates													
Tankers	1	10	16	-5	11	7	-7	-13	5	6	-8	26	-5
Tramps	4	8	-1	-1	-4	3	-3	-4	-5	3	3	6	-7
Liners (DM)	-1	0	3	0	0	4	-1	0	0	0	-3	3	0