

# Working Paper

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**AIECE Working Group Reports – Spring 1996**

Le commerce mondial en 1995-1997

World commodity prices 1995-1997

Central Planning Bureau, The Hague, May 1996

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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 Conjuncture 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 CPB 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 1996, the Italian ISCO-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 1996, April 1996). 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 German HWWA-institute 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  
managing director

**ASSOCIATION D'INSTITUTS EUROPEENS  
DE CONJONCTURE ECONOMIQUE**

– Groupe de travail du Commerce Mondial –

**LE COMMERCE MONDIAL EN 1995-1997**

Rapport présenté lors de la réunion de printemps de l'A.I.E.C.E.  
Dublin, 9-10 mai 1996

Rapport préparé par Lucia Aiello  
ISCO - ROME  
Tableaux standards préparés par le CPB

Les instituts membres du groupe sont:

☞	COE	Paris
☞	CPB	La Haye
☞	DULBEA	Bruxelles
☞	FTRI	Varsovie
☞	HWWA	Hambourg
☞	INSEE	Paris
☞	ISCO	Rome
☞	Kopint	Budapest

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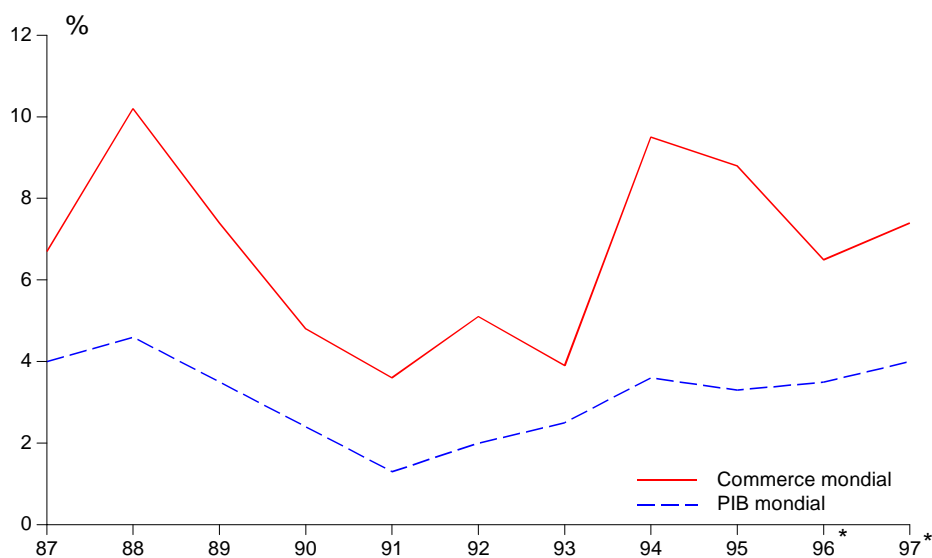
Annexes:

Le rapport a été préparé sur la base des informations soumises par les instituts membres de l'AIECE, pour leur propre pays, et d'après les estimations du groupe de travail, pour les autres régions.

## A. Les résultats de 1995

L'année écoulée a été marquée, en termes de croissance, par un ralentissement à l'intérieur de la zone industrialisée face au raffermissement, accompagné d'une plus ample diffusion, de la reprise dans les pays d'Europe centrale et orientale (PECO) et face à la persistance d'une forte progression dans l'ensemble des pays en voie de développement (PVD).

*Graphique 1 Production et commerce mondial, 1987-1997*



\* Prévisions.

Pour les pays de l'OCDE, les résultats ont été assez décevants par rapport aux attentes. La hausse du PIB a tout juste touché 2% bien que la modération est, au moins en partie,

à attribuer aux effets statistiques liés à la révision des comptes nationaux américains (la nouvelle méthode dite des "indices à pondérations annuelles enchaînées" a conduit à une correction à la baisse du rythme de croissance pour 1995 et les années précédentes). Au cours du second semestre, en particulier, la décélération conjoncturelle a été plus marquée que prévue. Outre Atlantique, après un net rebond au troisième trimestre, la croissance du PIB s'est modérée au quatrième trimestre à cause surtout du moindre dynamisme de la consommation privée. En Europe, l'activité économique s'est très fortement ralentie fin 1995 et dans certains pays on a même enregistré une baisse du PIB au quatrième trimestre. A l'origine de l'affaiblissement du cycle économique on trouve plusieurs facteurs parmi lesquels les effets décalés des hausses des taux d'intérêt à long terme en 1994 et de larges fluctuations des changes au printemps 1995, ainsi que le processus d'ajustement des stocks. La persistance d'un taux de chômage élevé - il a baissé quelque peu seulement au Royaume Uni - et la prédominante orientation restrictive des politiques budgétaires imposée par l'approche des échéances de l'Union Monétaire ont exercé, de surcroît, une influence négative sur l'indicateur du climat conjoncturel. L'appréciation de la situation de la part de chefs d'entreprise et la confiance des consommateurs, au cours des derniers mois de l'année écoulée, se sont sensiblement dégradées.

La décélération de la croissance constatée dans les pays industriels a seulement en partie affecté l'évolution du commerce mondial. Selon les calculs du groupe de travail ici présentés, la hausse en volume des échanges internationaux aurait avoisiné 8,5-9%, soit un rythme encore une fois bien supérieur à celui de la production. Dans le courant de l'année et, en particulier, au second semestre, les échanges mondiaux sont en effet entrés dans une phase de décélération par suite d'un affaiblissement de la demande d'importation des pays de l'OCDE. Cependant, en glissement annuel, la hausse de la demande mondiale est encore assez forte, grâce au soutien apporté par le dynamisme des importations des pays non-OCDE.

*Tableau 1 Volume du commerce mondial*

	Exportations			Importations		
	1995	1996	1997	1995	1996	1997
	Variations annuelles en pourcentage					
MONDE	8,5	6,5	7,5	9,1	6,4	7,3
Pays Industrialisés	7,6	5,7	6,7	8,0	5,2	6,4
Pays de l'Europe occidentale	7,4	5,0	6,2	6,3	4,5	6,1
Pays OPEP	3,0	2,0	5,0	4,0	4,0	5,0
Autres PVD	12,0	10,0	10,0	12,0	9,0	9,0
Pays de l'Europe de l'est	10,0	8,0	9,0	16,0	12,0	12,0

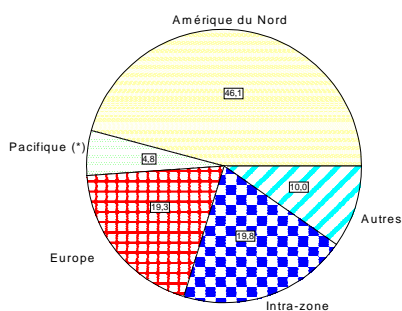


Source: Instituts membres de l'AIECE et estimations du groupe de travail.

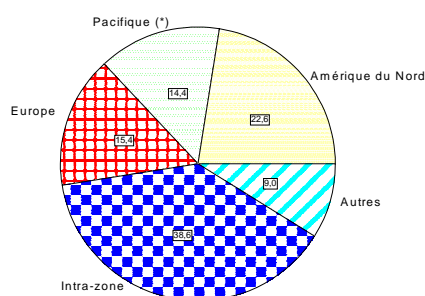
En ce contexte s'est confirmée la forte croissance des PVD qui a contribué, au moins en partie, au plus grand dynamisme des échanges mondiaux au cours des années plus récentes. La positive évolution de la demande internationale s'est accompagnée, en effet, d'une plus intense intégration des pays émergents dans l'économie globale, tant du côté commercial que du côté financier.

*Graphique 2 Structure des exportations des principales zones en voie de développement en 1994*

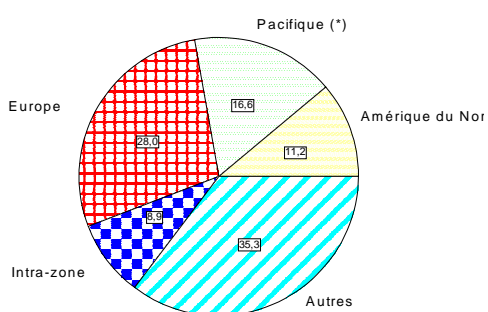
*Amérique Latine vers:*



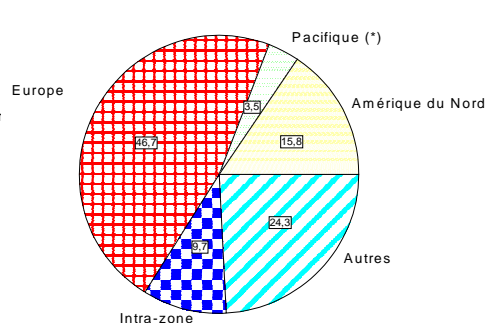
*Asie vers:*



*Moyen Orient vers:*



*Afrique vers:*



(\*) Australie, Japon, Nouvelle Zélande

D'importants écarts persistent, cependant, au niveau régional. Les pays OPEP ont continué à enregistrer un faible dynamisme: sur l'ensemble de l'année 1995, leurs

importations, en volume, ont cru de 4%, soit à un rythme bien inférieur à celui du commerce mondial. Bien que la hausse du prix du pétrole ait entraîné une légère amélioration de la situation économique de cette zone, les pays OPEP se trouvent toujours confrontés à une crise financière structurelle, suite aux pertes de termes de l'échange qu'ils ont subies depuis quinze ans. La baisse du prix du pétrole et la perte des parts de marché en faveur des pays en dehors du cartel se sont traduites par une considérable détérioration des déficits publics et des balances des paiements. Les plans d'assainissement réalisés dès 1994 dans les principaux pays, parmi lesquels l'Arabie Saoudite et l'Iran, ont freiné, d'ailleurs, l'expansion de la demande intérieure et, par conséquent, l'accroissement des importations.

Dans le groupe fortement hétérogène formé par les autres PVD, les échanges ont augmenté en moyenne de 12 pour cent.

La principale contribution a été fournie, encore une fois, par les économies d'Asie qui, en 1995, ont enregistré une croissance du PIB, pour la quatrième année consécutive, supérieure à 8%, montrant en même temps une expansion vigoureuse des échanges intra-régionaux. Ceux-ci, même en excluant le Japon, représentent aujourd'hui presque 40% des ventes de l'Asie. Face à la légère décélération de l'économie de la Chine, où la croissance du PIB est passée de 11,8% en 1994 à 10,2% en 1995, dans la zone du sud-est asiatique on a constaté des signaux de surchauffe. L'excès de la demande s'est traduit par un élargissement des déficits courants qui ont atteint un niveau consistant en Indonésie, Malaisie et Thaïlande.

Suite à la crise mexicaine, la demande intérieure du continent latino-américain a, par contre, montré une décélération considérable qui a signifié un fort affaiblissement des importations et une nouvelle orientation de la production vers les marchés étrangers. Le résultat moyen de 1995 sous-entend des situations très différenciées parmi les pays et, en certains cas, même divergentes. Face à la récession qui a touché le Mexique, l'Argentine et l'Uruguay, les autres pays sudaméricains ont montré seulement un modeste ralentissement ou, comme dans le cas du Chili, une accélération. Le décalage cyclique intra-régional s'est repercuté sur le commerce extérieur: au Mexique et en Argentine on a constaté, en effet, une forte poussée des exportations et une chute brutale des importations. Mais si on exclut les économies en récession, les autres pays de l'Amérique Latine ont enregistré une évolution tout-à-fait opposée et les importations, surtout au Brésil, ont fortement progressé.

Un accroissement des achats encore inférieur à la moyenne mondiale a été observé en Afrique, bien qu'en accélération par rapport à 1994. La situation économique de cette zone apparaît en léger mieux, étant donné qu'en 1995 le PIB par habitant de la région, d'après des évaluations provisoires, aurait augmenté pour la première fois dans la décennie.

Le redressement des PECO a, dans l'ensemble, été confirmé, ce qui s'est reflété dans la hausse de leurs importations à un rythme bien supérieur à la demande mondiale. Les estimations du groupe de travail (basées sur les sources nationales disponibles pour les

données en volume et valeurs moyennes à l'importation pour la Pologne, la Hongrie et la République Tchèque et seulement en valeur pour les autres pays) comptent sur une croissance des importations en volume d'environ 16% dans l'ensemble de la région. Ce résultat cache d'importants écarts entre une croissance de la demande plus soutenue dans les pays d'Europe centrale, et un moindre dynamisme dans les pays membres de la Communauté des Etats Indépendants (CEI) .

A l'intérieur des pays industriels, les échanges ont augmenté à un rythme d'un point en pourcentage inférieur à la demande mondiale. En mesure supérieure à la moyenne ont continué à progresser les importations du Japon (12,6%), du Canada (10%) et des Etats-Unis (9,5%). Selon les estimations que l'on peut établir à partir des nouveaux déflateurs des comptes nationaux, la croissance en volume des achats des Etats-Unis aurait toutefois très fortement ralenti fin 1995. Parmi les pays de l'Europe occidentale, l'Italie et l'Espagne ont montré le dynamisme des importations le plus vigoureux, avec une croissance de l'ordre de 11%, face à une plus faible demande en France (5,1%), Royaume-Uni (4,5%) et Allemagne (2,7%).

En général, les performances à l'exportation des différents compétiteurs à l'intérieur de l'OCDE sont restées sous l'influence des évolutions passées des taux de change. Ainsi, en Europe, d'importants gains de parts de marché ont été réalisés par l'Italie, la Suède et l'Espagne face aux pertes de tous les autres pays sauf la Belgique. Les entreprises américaines aussi ont gagné des parts de marché depuis la mi-1995. En revanche, la dépréciation du yen observée depuis le printemps dernier n'a pas encore répercuté ses effets sur les parts de marchés japonaises, du moment que les exportateurs nippons ont préféré d'abord reconstituer leurs marges, réduites par plusieurs années d'appréciation de leur monnaie.

Exprimé en dollars, le déficit courant américain, encore important, s'est redressé en fin d'année, tandis que l'excédent courant nippon est passé de 129,1 milliards de dollars en 1994 à 103,7 milliards en 1995.

## B. Les prévisions pour 1996-97

### 1. Les principales hypothèses de base

L'exercice prévisionnel mené par le groupe de travail compte sur une croissance du PIB dans l'ensemble de l'OCDE de l'ordre de 2% en 1996 et sur une accélération modérée du rythme d'expansion en 1997 (2,5%).

Aux Etats-Unis l'atterrissage en douceur a réussi. Après les résultats décevants au tournant de l'année, rendus encore plus pénibles par les conditions climatiques particulièrement rigoureuses, l'activité a montré un redressement. La croissance du PIB pourrait atteindre presque 2% cette année et 2,3% en 1997, confirmant la tendance de croissance potentielle de plus longue période.

*Tableau 2 Principales hypothèses et prévisions*

	1995	1996	1997
Variations annuelles en pourcentage			
Pib en volume <sup>a</sup>			
OCDE	2,2	2,1	2,5
OCDE Europe	2,6	1,75	2,5
Etats-Unis	2,1	2,0	2,3
Japon	0,9	2,5	3,0
Prix des matières premières non énergétiques <sup>b</sup>	14,0	-7,0	0
niveau			
Prix du pétrole (\$/baril)	17,0	17,5	17,5
Taux de change DM/Dollar	1,43	1,49	1,50

<sup>a</sup> Moyenne des estimations du groupe de travail.

<sup>b</sup> Prévision du groupe de travail sur les matières premières.

Au Japon, en dépit des problèmes structurels et des difficultés du secteur bancaire, les effets des politiques monétaires et budgétaires fortement expansives et l'affaiblissement du yen vis-à-vis du dollar permettront un redressement de la demande de consommation et l'amélioration des conditions du côté de l'offre. Après quatre ans de stagnation, l'économie japonaise devrait retrouver une certaine vigueur: le PIB est prévu en hausse de 2,5% en 1996 et de 3% en 1997.

L'augmentation du PIB envisagée pour l'ensemble des pays européens sera de 1,75% en 1996 et de 2,5% en 1997. Cette prévision sous-entend l'hypothèse que la décélération récente de l'activité productive sera temporaire et sera suivie, au second semestre, par une reprise modeste. Les effets expansifs dus au bas niveau des taux d'intérêt, l'arrêt du mouvement de destockage et la presque générale amélioration du climat économique

devraient permettre le retour du taux de croissance aux environs du taux potentiel en 1997. A l'intérieur du groupe, il y avait toutefois des opinions plus optimistes fondées sur la constatation que plusieurs fois dans le passé a prédominé la prudence sous l'influence négative de la situation décevante présente et sous-évaluant la poussée de la reprise. Parmi les risques de cette prévision, on a d'ailleurs souligné la possibilité qu'une reprise plus tardive pourrait entraîner une croissance bien plus faible pour l'année en cours, suivie, en ce cas-là, d'un rebond plus consistant en 1997.

Le scénario retenu en matière de croissance de l'activité productive conduit à considérer possible, pour les prix en dollars des matières premières non énergétiques (sur la base de l'indice HWWA), un fléchissement des cours au premier semestre 1996 et, ensuite, une certaine stabilisation. Selon les estimations du groupe de travail sur les matières premières, ici utilisées, les prix en moyenne annuelle devraient baisser de 7% en 1996 et rester inchangés en 1997.

En ce qui concerne le pétrole, les évaluations du groupe tablent sur un prix du baril proche de 17,5 dollars aussi bien en 1996 qu'en 1997. La fermeté des cours aux premiers mois de 1996 est sans doute temporaire. Une fois la vague de froid passée, l'augmentation prévue pour la demande devrait, en effet, être aisément compensée par la croissance de l'offre de la part des pays non-OPEP et par le progressif retour - fait qui apparaît très proche - de l'Iraq sur les marchés internationaux.

Quant aux taux de change, l'hypothèse technique retenue par le groupe table sur l'invariance des rapports relevés début avril. Celle-ci sous-entend une appréciation de la devise américaine face au Deutschmark en 1996 (1,49 DM) et en 1997 (1,50 DM) et un rapport yen/USD de l'ordre de 105 yen (94 yen en 1995). La tendance à la révalorisation du billet vert s'explique par plusieurs facteurs. Tout d'abord l'amélioration, dès le second semestre 1995, du taux de couverture des échanges des Etats-Unis avec l'Allemagne et le Japon; en outre, l'attente des marchés financiers d'un assouplissement plus prononcé de la politique monétaire en Allemagne qu'aux Etats-Unis; enfin, la volonté des autorités monétaires japonaises d'atténuer la surévaluation de leur monnaie face au dollar.

## 2. *Les perspectives du commerce mondial en 1996-97*

Sur la base des hypothèses formulées jusqu'ici, les échanges internationaux devraient ralentir, dans l'année en cours, de plus de deux points en pourcentage par rapport à la croissance de 1995 et montrer un redressement graduel en 1997. Malgré la décélération prévue, les échanges mondiaux continueront toutefois à progresser à un rythme soutenu, grâce notamment au dynamisme de la demande de la zone non-OCDE. D'après les estimations du groupe de travail, la croissance du commerce mondial en termes réels - de l'ordre de 6,5% en 1996 - devrait s'approcher de 7,5% en moyenne annuelle en 1997.

En ce qui concerne la zone non-OCDE, les importations de l'OPEP, même en accélération, devraient présenter encore un rythme de croissance inférieur à la moyenne,

avec des augmentations en volume respectivement de 4% et de 5% en 1996 et en 1997. Une contribution plus importante au développement de la demande mondiale continuera, par contre, d'arriver des autres PVD qui connaîtront, globalement, un accroissement des importations en volume de 9% tant en 1996 qu'en 1997. Dans ce cas, le ralentissement prévu par rapport à 1995 devrait, pour la plupart, s'expliquer par une atténuation physiologique des dynamiques, encore très vigoureuses, des pays asiatiques. La décélération des importations de l'Asie serait, seulement en partie, compensée par le redressement graduel de l'Amérique latine. Les deux zones devraient, toutefois, consolider le rôle de soutien qu'elles ont affiché dans le commerce mondial, grâce au processus de libéralisation des échanges, à la plus grande diversification productive et à l'élargissement des marchés intérieurs. La croissance moyenne des importations des PECO devrait également rester très forte (environ 12%) et devrait résulter, au cours de la période examinée, supérieure à la progression des exportations (entre 8% et 9%). L'essoufflement de la demande des pays de l'Europe occidentale pourrait être compensé, au moins partiellement, par un redémarrage des flux intra-régionaux.

Le taux d'accroissement des importations des pays industrialisés devrait respectivement atteindre 5,2% et 6,4% en 1996 et en 1997 (8% en 1995). Compte-tenu du bas niveau de l'acquis conjoncturel au début de l'année, la croissance des achats en volume des Etats-Unis devrait être limitée à 5% en 1996 et accélérer à 6% en 1997. De leur côté, les importations japonaises continueront à progresser à un rythme soutenu, de l'ordre de 9% l'an, mais qui ne s'accroîtra pas. La reprise économique donnera en effet une impulsion majeure à la demande intérieure, mais l'impact des récentes réformes structurelles sur la pénétration des importations s'épuisera graduellement.

La croissance moyenne des importations des pays de l'Europe occidentale, après un ralentissement en 1996 (4,5% face à 6,3% en 1995), devrait connaître une reprise en 1997 (6,1%) toute en restant inférieure à la hausse du commerce mondial. Dans l'année en cours, en particulier, la demande intra-régionale devrait décélérer, à cause de l'expansion plus lente de l'activité à l'intérieur de cette zone. Cependant, en syntonie avec une évolution moins faible de la croissance économique, au second semestre on s'attend à une progressive accélération des achats. A l'intérieur de la région, se confirmeront, en 1996, des écarts considérables: aux évolutions faibles de la Suisse (1,4%), des Pays Bas (2,5%) et de l'Allemagne (2,8%) s'opposeront les dynamismes plus accentués de l'Espagne (7,4%), de l'Italie (6,7%) et de la Belgique (6,5%). En revanche, les divergences entre les pays devraient s'atténuer l'année suivante.

Le rythme d'augmentation des exportations des pays de l'Europe occidentale devrait aussi décélérer au cours de cette année (5% face à 7,4% en 1995) et s'accroître de 6,2% en 1997, tout en restant au dessous de l'expansion des marchés de destinations prévue dans l'exercice. En fait, le commerce mondial continuera à apporter une contribution positive à la croissance économique, mais il est difficile de penser aux exportations comme véritable "locomotive" de la reprise, compte-tenu du ralentissement simultané de la demande dans la plupart des économies européennes. D'après les estimations des

instituts membres de l'AIECE<sup>1</sup>, l'Espagne et la Belgique gagneront des parts de marché, tant en 1996, qu'en 1997, tandis que la Norvège, l'Italie, le Royaume-Uni et la Finlande connaîtront une hausse des exportations supérieure à l'élargissement du marché seulement dans l'année en cours.

*Tableau 3 Valeurs unitaires du commerce mondial*

	En monnaies nationales			En dollars US		
	1995	1996	1997	1995	1996	1997
	Variations annuelles en pourcentage					
Commerce mondial <sup>a</sup>	4,6	1,1	1,6	8,9	- 1,0	0,6
Pays de l'Europe occidentale						
Exportations	3,4	1,5	1,8	13,2	- 1,0	0,3
Importations	3,3	1,6	2,0	13,0	- 1,1	0,4

Source: Instituts membres de l'AIECE et estimations du groupe de travail.

<sup>a</sup> Moyenne des pourcentages de variation des valeurs unitaires à l'exportation et à l'importation.

Exprimée en monnaies nationales, la hausse au niveau mondial des valeurs unitaires moyennes à l'exportation et à l'importation, après une croissance en 1995 de 4,6-4,7%, à la suite d'une dépréciation moyenne du dollar de 5,7%, devrait s'atténuer au cours des deux années examinées (respectivement près de 1% en 1996 et de 1,5% en 1997). Une progression légèrement supérieure à l'évolution mondiale est prévue pour les pays européens globalement considérés, pour lesquels on ne s'attend pas à de sensibles modifications des termes de l'échange. Si l'on traduisait ces prévisions en dollars, en se basant sur l'hypothèse précédemment explicitée d'une légère revalorisation de la devise américaine, les prix devraient même baisser cette année de 1% et augmenter de près de 0,5% en 1997.

Les balances courantes connaîtront une nouvelle, bien que modeste, réduction des déséquilibres des deux principaux pays industriels. La hausse des exportations nettes des Etats-Unis et des importations nettes du Japon a en effet entraîné un redressement des déséquilibres des balances courantes dans la première partie de 1996. Cependant, ceci pourrait montrer un tassement, suite à la reprise des exportations nippones. Pour l'ensemble des pays européens, par contre, le surplus de la balance courante devrait rester inchangé soit en 1996 qu'en 1997.

<sup>1</sup> Rappelons que ce travail consiste à réunir les estimations et les prévisions formulées par les instituts membres de l'AIECE (un seul institut par pays) et celles du groupe de travail pour les autres pays ou zones géo-économiques.

## **STATISTICAL ANNEX**

### **Sources:**

The tables in this annex are based on data submitted by AIECE member institutes for their own countries, and estimates of the Working Group on Foreign Trade for all other countries and regions.

### **Technical note:**

Decimal percentage changes of summary figures calculated from rounded country data are not intended to be more accurate than these.



Table 1 Spot exchange rates

	1995	1996	1997
units of national currency per US \$			
Belgium/Luxemburg	29.490	30.590	30.920
Denmark	5.606	5.750	5.820
Finland	4.368	4.610	4.660
France	4.991	5.090	5.120
Germany	1.433	1.490	1.500
Greece	231.726	252.200	282.200
Italy	1629.025	1620.000	1644.000
Netherlands	1.606	1.660	1.680
Norway	6.338	6.560	6.430
Spain	124.676	126.300	129.200
Sweden	7.137	6.690	6.820
Switzerland	1.183	1.220	1.260
United Kingdom	0.634	0.663	0.690
Canada	1.372	1.360	1.360
United States	1.000	1.000	1.000
Japan	94.051	105.000	105.000
Eastern Europe	1.000	1.000	1.000
Hungary	126.000	155.000	180.000
Poland	2.420	2.640	2.880
OPEC	1.000	1.000	1.000
Other countries	1.000	1.000	1.000

Table 2 Merchandise trade volumes and export market growth

	Export volumes			Import volumes		
	1995	1996	1997	1995	1996	1997
	annual percentage changes					
Belgium/Luxembourg	10.0	6.0	7.5	9.0	6.5	7.5
Denmark	1.8	2.9	3.5	5.0	2.8	2.8
Finland	5.0	6.5	3.0	8.5	8.5	5.5
France	7.4	4.0	6.0	5.1	4.0	6.5
Germany	4.1	3.3	5.8	2.7	2.8	5.5
Greece	4.8	5.2	6.0	5.0	5.5	6.5
Italy	14.8	8.5	6.7	11.3	6.7	8.0
Netherlands	6.3	3.5	6.0	6.5	2.5	5.0
Norway	6.1	8.5	3.4	7.2	4.0	3.8
Spain	9.9	8.0	9.5	11.0	7.4	10.4
Sweden	12.5	3.8	5.1	8.6	3.5	4.6
Switzerland	4.2	1.5	5.7	6.5	1.4	2.6
United Kingdom	5.7	6.7	6.5	4.5	5.8	5.9
Western Europe	7.4	5.0	6.2	6.3	4.5	6.1
Canada	11.8	6.0	7.0	10.0	5.0	6.0
United States	10.7	8.5	8.5	9.5	5.0	6.0
Japan	3.4	4.5	7.0	12.6	9.0	9.0
OECD	7.6	5.7	6.7	8.0	5.2	6.4
Eastern Europe	10.0	8.0	9.0	16.0	12.0	12.0
Hungary	8.0	8.0	8.0	-3.9	3.0	5.0
Poland	18.6	12.8	10.0	18.2	14.5	11.0
OPEC	3.0	2.0	5.0	4.0	4.0	5.0
Other countries	12.0	10.0	10.0	12.0	9.0	9.0
Non OECD	10.3	8.6	9.2	11.4	8.8	8.9
Total World	8.5	6.5	7.5	9.1	6.4	7.3

Table 2 Continued

	Export market growth			Export performance		
	1995	1996	1997	1995	1996	1997
	annual percentage changes					
Belgium/Luxembourg	7.4	5.4	6.8	2.4	0.6	0.6
Denmark	8.3	6.0	7.0	-6.0	-2.9	-3.2
Finland	8.2	5.8	6.8	-3.0	0.7	-3.6
France	8.4	6.0	7.2	-0.9	-1.9	-1.1
Germany	9.0	6.1	7.1	-4.5	-2.7	-1.2
Greece	9.1	6.8	8.0	-3.9	-1.5	-1.8
Italy	8.2	6.1	7.3	6.1	2.3	-0.5
Netherlands	7.5	5.7	6.9	-1.1	-2.0	-0.9
Norway	6.9	5.1	6.2	-0.8	3.2	-2.7
Spain	8.0	5.8	7.0	1.8	2.1	2.3
Sweden	7.6	5.6	6.4	4.5	-1.7	-1.2
Switzerland	7.6	5.5	6.8	-3.1	-3.8	-1.0
United Kingdom	8.6	5.9	7.0	-2.7	0.8	-0.5
Western Europe	8.2	5.9	7.0	-0.8	-0.8	-0.8
Canada	9.6	5.6	6.5	2.0	0.4	0.5
United States	9.9	7.0	7.6	0.7	1.4	0.8
Japan	9.6	6.5	7.3	-5.6	-1.9	-0.2
OECD	8.8	6.2	7.1	-1.1	-0.5	-0.4
Eastern Europe	7.8	5.8	6.9	2.1	2.1	1.9
Hungary	.	.	.	.	.	.
Poland	.	.	.	.	.	.
OPEC	10.3	7.2	7.8	-6.6	-4.8	-2.6
Other countries	9.9	6.9	7.6	1.9	2.9	2.3
Non OECD	9.8	6.8	7.5	0.5	1.7	1.5
Total World	9.1	6.4	7.3	-0.6	0.2	0.2

Table 3 Unit values in national currencies and terms of trade

	Export unit values			Import unit values		
	1995	1996	1997	1995	1996	1997
	annual percentage changes					
Belgium/Luxembourg	0.5	0.8	1.0	-0.3	1.0	1.2
Denmark	2.3	1.8	1.7	2.2	2.9	3.6
Finland	7.0	1.0	1.0	0.0	3.0	2.0
France	1.4	1.5	1.5	1.9	1.5	2.0
Germany	1.6	1.0	1.9	0.6	0.4	2.1
Greece	6.8	5.5	3.8	6.0	3.5	2.5
Italy	7.9	1.7	2.5	11.0	1.7	2.0
Netherlands	1.2	0.3	1.5	0.0	0.5	1.2
Norway	1.9	-0.8	1.8	0.6	1.2	1.9
Spain	6.5	3.0	3.0	5.2	2.7	3.0
Sweden	8.2	-1.0	1.5	6.7	-4.5	1.3
Switzerland	-2.1	1.0	1.0	-2.5	2.0	3.0
United Kingdom	8.0	4.7	2.0	9.0	5.4	2.1
Western Europe	3.4	1.5	1.8	3.3	1.6	2.0
Canada	4.0	1.0	1.5	1.5	0.0	1.0
United States	3.1	0.0	0.5	2.7	-0.5	0.5
Japan	-1.0	6.0	2.0	-0.5	8.0	0.0
OECD	3.3	2.1	1.9	3.3	2.0	1.9
Eastern Europe	12.0	-1.0	1.0	11.0	-1.5	1.0
Hungary	34.8	22.4	18.5	33.4	22.4	17.9
Poland	20.8	7.6	9.6	21.3	8.1	10.2
OPEC	7.0	1.0	0.0	7.0	-1.0	1.0
Other countries	7.0	-1.0	1.0	7.0	-1.0	1.0
Non OECD	7.4	-0.7	0.9	7.4	-1.1	1.0
Total World	4.6	1.2	1.6	4.7	1.0	1.6

Table 3 Continued

	Terms of trade		
	1995	1996	1997
	annual percentage changes		
Belgium/Luxembourg	0.8	-0.2	-0.2
Denmark	0.1	-1.1	-1.8
Finland	7.0	-1.9	-1.0
France	-0.5	0.0	-0.5
Germany	1.0	0.6	-0.2
Greece	0.8	1.9	1.3
Italy	-2.8	0.0	0.5
Netherlands	1.2	-0.2	0.2
Norway	1.3	-2.0	-0.1
Spain	1.2	0.3	0.0
Sweden	1.4	3.7	0.2
Switzerland	0.4	-1.0	-1.9
United Kingdom	-0.9	-0.7	-0.1
Western Europe	0.1	-0.1	-0.2
Canada	2.5	1.0	0.5
United States	0.4	0.5	0.0
Japan	-0.5	-1.9	2.0
OECD	0.0	0.1	0.0
Eastern Europe	0.9	0.5	0.0
Hungary	1.0	0.0	0.5
Poland	-0.4	-0.4	-0.5
OPEC	0.0	2.0	-1.0
Other countries	0.0	0.0	0.0
Non OECD	0.0	0.3	-0.1
Total World	-0.1	0.2	0.0

Table 4 Unit values in US dollars and appreciation against the dollar

	Export unit values			Import unit values		
	1995	1996	1997	1995	1996	1997
	annual percentage changes					
Belgium/Luxemburg	14.0	-2.9	-0.1	13.1	-2.6	0.2
Denmark	16.1	-0.7	0.5	15.9	0.3	2.4
Finland	27.9	-4.3	-0.1	19.6	-2.4	0.9
France	12.8	-0.5	0.9	13.3	-0.5	1.4
Germany	15.1	-2.9	1.2	13.9	-3.4	1.4
Greece	11.8	-3.1	-7.2	10.9	-4.9	-8.4
Italy	6.8	2.3	1.0	9.9	2.3	0.5
Netherlands	14.7	-3.0	0.3	13.3	-2.8	0.0
Norway	13.5	-4.2	3.9	12.0	-2.2	4.0
Spain	14.4	1.7	0.7	13.0	1.4	0.7
Sweden	17.0	5.6	-0.4	15.4	1.9	-0.6
Switzerland	13.2	-2.1	-2.2	12.7	-1.1	-0.3
United Kingdom	11.3	0.1	-2.0	12.3	0.8	-1.9
Western Europe	13.2	-1.0	0.3	13.0	-1.1	0.4
Canada	3.5	1.9	1.5	1.0	0.9	1.0
United States	3.1	0.0	0.5	2.7	-0.5	0.5
Japan	7.6	-5.1	2.0	8.1	-3.3	0.0
OECD	10.0	-1.1	0.6	9.2	-1.0	0.3
Eastern Europe	12.0	-1.0	1.0	11.0	-1.5	1.0
Hungary	12.5	-0.5	2.0	11.3	-0.5	1.5
Poland	13.3	-1.5	0.5	13.8	-1.0	1.0
OPEC	7.0	1.0	0.0	7.0	-1.0	1.0
Other countries	7.0	-1.0	1.0	7.0	-1.0	1.0
Non OECD	7.4	-0.7	0.9	7.4	-1.1	1.0
Total World	9.2	-1.0	0.7	8.6	-1.0	0.6

Table 4 Continued, appreciation against the dollar

	Import weighted totals			Export weighted totals		
	1995	1996	1997	1995	1996	1997
annual percentage changes						
Belgium/Luxemburg	13.4	-3.6	-1.1	13.4	-3.6	1.1
Denmark	13.4	-2.5	-1.2	13.4	-2.5	-1.2
Finland	19.6	-5.2	-1.1	19.6	-5.2	-1.1
France	11.2	-1.9	-0.6	11.2	-1.9	-0.6
Germany	13.3	-3.8	-0.7	13.3	-3.8	-0.7
Greece	4.7	-8.1	-10.6	4.7	-8.1	-10.6
Italy	-1.0	0.6	-1.5	-1.0	0.6	-1.5
Netherlands	13.3	-3.3	-1.2	13.3	-3.3	-1.2
Norway	11.4	-3.4	2.0	11.4	-3.4	2.0
Spain	7.4	-1.3	-2.2	7.4	-1.3	-2.2
Sweden	8.1	6.7	-1.9	8.1	6.7	-1.9
Switzerland	15.6	-3.0	-3.2	15.6	-3.0	-3.2
United Kingdom	3.1	-4.4	-3.9	3.1	-4.4	-3.9
Western Europe	9.4	-2.6	-1.6	9.5	-2.5	-1.5
Canada	-0.5	0.9	0.0	-0.5	0.9	0.0
United States	0.0	0.0	0.0	0.0	0.0	0.0
Japan	8.7	-10.4	0.0	8.7	-10.4	0.0
OECD	5.7	-3.0	-1.5	6.5	-3.1	-1.3
Eastern Europe	0.0	0.0	0.0	0.0	0.0	0.0
Hungary	-16.3	-18.7	-13.9	-16.3	-18.7	-13.9
Poland	-6.3	-8.3	-8.3	-6.3	-8.3	-8.3
OPEC	0.0	0.0	0.0	0.0	0.0	0.0
Other countries	0.0	0.0	0.0	0.0	0.0	0.0
Non OECD	0.0	0.0	0.0	0.0	0.0	0.0
Total World	3.7	-2.0	-1.0	4.4	-2.2	-0.9

Table 5 Relative import unit values in national currencies and effective appreciation against supplying countries

	Import unit values			Calculated import unit values		
	1995	1996	1997	1995	1996	1997
	annual percentage changes					
Belgium/Luxemburg	-0.3	1.0	1.2	-1.1	2.4	1.6
Denmark	2.2	2.9	3.6	-0.8	1.7	1.8
Finland	0.0	3.0	2.0	-6.6	4.8	1.7
France	1.9	1.5	2.0	-0.4	1.0	1.1
Germany	0.6	0.4	2.1	-2.2	3.1	1.1
Greece	6.0	3.5	2.5	6.0	7.8	12.6
Italy	11.0	1.7	2.0	12.9	-1.8	1.9
Netherlands	0.0	0.5	1.2	-2.0	2.1	1.7
Norway	0.6	1.2	1.9	0.7	3.1	-1.6
Spain	5.2	2.7	3.0	3.0	0.4	2.9
Sweden	6.7	-4.5	1.3	3.9	-7.8	2.6
Switzerland	-2.5	2.0	3.0	-3.3	1.9	4.0
United Kingdom	9.0	5.4	2.1	7.2	3.3	4.8
Western Europe	3.3	1.6	2.0	1.6	1.6	2.1
Canada	1.5	0.0	1.0	5.5	-1.4	0.6
United States	2.7	-0.5	0.5	7.7	-1.0	1.0
Japan	-0.5	8.0	0.0	-1.3	11.2	0.7
OECD	3.3	2.0	1.9	3.7	2.1	2.2
Eastern Europe	11.0	-1.5	1.0	11.2	-0.9	0.5
Hungary	33.4	22.4	17.9	.	.	.
Poland	21.3	8.1	10.2	.	.	.
OPEC	7.0	-1.0	1.0	9.2	-1.0	0.5
Other countries	7.0	-1.0	1.0	8.1	-1.2	0.8
Non OECD	7.4	-1.1	1.0	8.5	-1.1	0.7
Total World	4.7	1.0	1.6	5.3	1.0	1.7



Table 5 Continued

	Relative import unit values in a common currency			Effective apprecia- tion against sup- plying countries		
	1995	1996	1997	1995	1996	1997
	annual percentage changes					
Belgium/Luxemburg	0.8	-1.3	-0.4	4.6	-1.1	0.1
Denmark	3.0	1.2	1.8	5.3	-0.6	-0.1
Finland	7.1	-1.7	0.3	12.4	-3.7	-0.1
France	2.3	0.5	0.9	5.0	0.4	0.7
Germany	2.8	-2.6	1.0	7.5	-1.3	1.1
Greece	0.0	-4.0	-9.0	-1.3	-5.7	-9.4
Italy	-1.7	3.6	0.1	-7.7	3.1	-0.2
Netherlands	2.0	-1.6	-0.4	6.4	-0.7	0.0
Norway	-0.1	-1.9	3.6	3.9	-1.8	3.3
Spain	2.1	2.3	0.1	1.2	0.9	-1.2
Sweden	2.7	3.6	-1.3	0.0	9.9	-1.0
Switzerland	0.8	0.1	-1.0	7.2	-0.4	-2.1
United Kingdom	1.7	2.1	-2.6	-3.3	-2.2	-3.1
Western Europe	1.6	0.0	-0.1	2.7	-0.2	-0.3
Canada	-3.8	1.4	0.4	-1.8	1.8	0.2
United States	-4.6	0.5	-0.5	-2.8	2.3	0.5
Japan	0.9	-2.9	-0.7	7.0	-10.1	0.3
OECD	-0.4	-0.1	-0.3	0.8	-0.9	-0.6
Eastern Europe	-0.2	-0.6	0.5	-5.4	2.9	2.0
Hungary	.	.	.	.	.	.
Poland	.	.	.	.	.	.
OPEC	-2.1	0.0	0.5	-3.7	3.0	1.6
Other countries	-1.0	0.2	0.2	-3.2	2.3	0.6
Non OECD	-1.0	0.1	0.3	-3.5	2.4	0.9
Total World	-0.6	0.0	-0.1	-0.7	0.2	-0.1

*Table 6 Relative export unit values in national currencies and effective appreciation against competing countries*

	Export unit values			Export unit values of competing countries		
	1995	1996	1997	1995	1996	1997
	annual percentage changes					
Belgium/Luxembourg	0.5	0.8	1.0	-2.2	2.6	1.7
Denmark	2.3	1.8	1.7	-2.2	1.4	1.8
Finland	7.0	1.0	1.0	-7.1	4.7	1.5
France	1.4	1.5	1.5	-0.7	0.9	1.0
Germany	1.6	1.0	1.9	-2.5	3.1	1.0
Greece	6.8	5.5	3.8	5.7	7.6	12.8
Italy	7.9	1.7	2.5	11.5	-1.9	2.1
Netherlands	1.2	0.3	1.5	-1.7	2.0	1.7
Norway	1.9	-0.8	1.8	0.3	2.6	-1.7
Spain	6.5	3.0	3.0	2.9	0.3	3.0
Sweden	8.2	-1.0	1.5	2.5	-7.4	2.7
Switzerland	-2.1	1.0	1.0	-4.4	2.1	3.7
United Kingdom	8.0	4.7	2.0	6.3	3.3	4.8
Western Europe	3.4	1.5	1.8	1.0	1.4	2.0
Canada	4.0	1.0	1.5	4.6	-1.6	0.5
United States	3.1	0.0	0.5	7.4	-0.9	0.6
Japan	-1.0	6.0	2.0	-1.8	10.7	0.7
OECD	3.3	2.1	1.9	2.4	2.2	1.9
Eastern Europe	12.0	-1.0	1.0	10.9	-1.3	0.5
Hungary	34.8	22.4	18.5	.	.	.
Poland	20.8	7.6	9.6	.	.	.
OPEC	7.0	1.0	0.0	7.9	-1.3	0.4
Other countries	7.0	-1.0	1.0	7.1	-1.1	0.6
Non OECD	7.4	-0.7	0.9	7.6	-1.1	0.6
Total World	4.6	1.2	1.6	4.0	1.2	1.5

Table 6 Continued

	Relative export unit values in a common currency			Effective appre- ciation against competing countries		
	1995	1996	1997	1995	1996	1997
	annual percentage changes					
Belgium/Luxemburg	2.8	-1.8	-0.7	7.7	-1.3	0.1
Denmark	4.6	0.4	-0.1	7.6	-0.2	-0.1
Finland	15.2	-3.5	-0.5	13.1	-2.9	0.1
France	2.1	0.6	0.5	5.5	0.4	0.5
Germany	4.2	-2.0	0.8	7.2	-1.5	0.4
Greece	1.0	-2.0	-7.9	-0.7	-5.8	-9.4
Italy	-3.2	3.7	0.4	-5.8	3.0	-0.3
Netherlands	3.0	-1.7	-0.2	7.0	-0.9	0.0
Norway	1.6	-3.3	3.6	5.3	-1.1	3.1
Spain	3.5	2.7	0.0	2.0	1.1	-1.1
Sweden	5.5	6.9	-1.1	2.5	9.1	-0.8
Switzerland	2.4	-1.1	-2.6	9.7	-0.8	-2.1
United Kingdom	1.6	1.3	-2.7	-1.7	-2.1	-2.9
Western Europe	2.4	0.1	-0.2	3.9	-0.1	-0.4
Canada	-0.6	2.6	1.0	-3.5	3.1	0.6
United States	-4.0	0.9	-0.1	-3.4	1.9	0.7
Japan	0.8	-4.2	1.3	4.7	-8.3	0.7
OECD	0.9	-0.1	0.1	1.7	-0.9	-0.3
Eastern Europe	0.9	0.3	0.4	-5.0	2.3	1.1
Hungary	.	.	.	.	.	.
Poland	.	.	.	.	.	.
OPEC	-0.8	2.3	-0.4	-3.6	2.0	0.7
Other countries	-0.1	0.1	0.4	-3.6	2.2	0.7
Non OECD	-0.1	0.4	0.3	-3.7	2.2	0.8
Total World	0.6	0.0	0.1	0.0	0.0	0.0

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

-Working Group on Commodity Prices-

**WORLD COMMODITY PRICES 1995-1997**

Report presented to the AIECE spring meeting  
Dublin, 8-10 May 1996

by  
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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
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## 1. Recent developments on commodity markets

Raw material price tendencies revealed a non-uniform pattern during the last two quarters. While prices of industrial raw materials went down as the temporary cyclical weakness of OECD economies induced a restraint on commodity buying by manufacturers, energy prices rose markedly due to a world-wide upward shift in crude oil demand and additional needs on account of the hard winter. Within the food and beverage markets prices of cereals rocketed when the scarcity of supplies worsened while coffee prices continued their retreat albeit from a high level due to weaker demand and further stock reductions by coffee processors in main consumer countries.

The last forecast of the AIECE commodity group in autumn 1995 seems to correspond to the current development quite well with regard to the overall trend of the price level. This is true mainly because energy prices, which have the largest weight in the HWWA index, moved in the assumed direction. As to industrial raw materials the group had forecast a more moderate price development than actually took place and underestimated recent price weakness in the non-ferrous metal markets because the size of the slowdown in economic growth of the OECD area was underestimated. The uncertainties in the general economic development at the time when the forecast was prepared rendered the prediction of industrial raw material prices difficult. In addition the fall in coffee prices was not anticipated as market fundamentals justified an opposite guess. The lack of precise information on the size of cereal crop damages lead to the opinion that markets would be in greater equilibrium than was previously the case and that prices should stop rising. However, prices moved up further when it became obvious that the shortage of cereals would last.

*Table 1 Forecasts and realisations: aggregates*

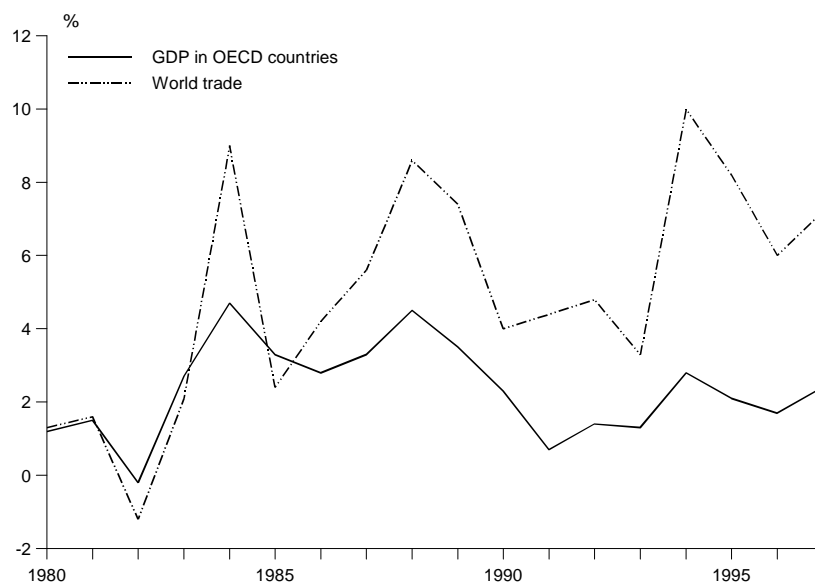
Commodity group	Percentage change over the previous period			
	1995/4		1996/1	
	Forecast	Actual	Forecast	Actual
HWWA				
Food and beverages	0	-3	1	2
Industrial materials	0	0	2	-4
Agricultural materials	1	3	0	-4
Non ferrous metals	-1	-4	1	-7
Fuels	3	3	3	5
Total	2	1	2	2
Total excl. oil	0	0	2	-2

## 2. Price forecast until the end of 1997

### 2.1 General economic assumptions and price developments

Economic prospects of OECD member countries seem to be now less favourable than foreseen half a year ago for the period under review. Generally OECD GDP will grow slower in the current year on average compared to last year. Slowing of economic growth was already envisaged in the second part of 1995 and continued into 1996. However, basic economic conditions in the OECD countries are now improving. Therefore, a general recovery of growth in Europe and the US, the most important raw material consumers, is expected for the second half of this year. The world economic upswing will gain momentum further in 1997. Japan's economy will improve to a somewhat more pronounced degree than previously expected. Prosperous economic conditions will persist in the Far Eastern countries and finally a turn to positive growth is forecast in Russia for the coming years.

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



Industrial production of OECD area countries will accelerate more rapidly than the general economic trend as exports and private investment will be the driving forces of the expected economic upswing and world trade is assumed to expand at a fairly high rate of 6 to 7%.

The inflation rate, measured by average export prices of manufactured goods in US dollar terms, will stay at around 0 to 1%, assuming an average exchange rate of 1.50 DM/US\$ for 1996 as well as 1997.

*Table 2 Framework assumptions, per cent change on previous year*

	1994	1995	1996	1997
OECD GDP, volume	2.8	2.1	1.7	2.4
World trade total, volume	10	8.2	6	7.2
Export price of manufactures	2.3	7	0	1
Dollar rate (D/US - \$)	1.62	1.43	1.50	1.50

According to these basic assumptions concerning general economic development stable average commodity price levels in 1996 and their slight improvement in the following year are forecast, due generally to a recovery in stock building as well as in consumption of raw materials. In 1996 the resumption of stock replenishment will be the main reason for price stabilisation, while in 1997 higher consumption growth will contribute to a slight improvement in commodity prices.

In 1996 the overall price level, in terms of the HWWA-Index, remains unchanged, because the rise in energy raw materials by 4% is offset by a decrease of 6% in industrial raw materials and food. Energy raw materials will become more expensive due to a rise in crude oil prices, which has already occurred in the first quarter as crude oil stocks, drawn down to exceptionally low levels by the hard winter in Europe and the US, had to be replenished. The raw material price level excluding energy will be 6% lower than last year due to a negative overhang and a downward movement of agricultural raw materials and non-ferrous metal prices in the first half of the year reflecting reductions of stocks.

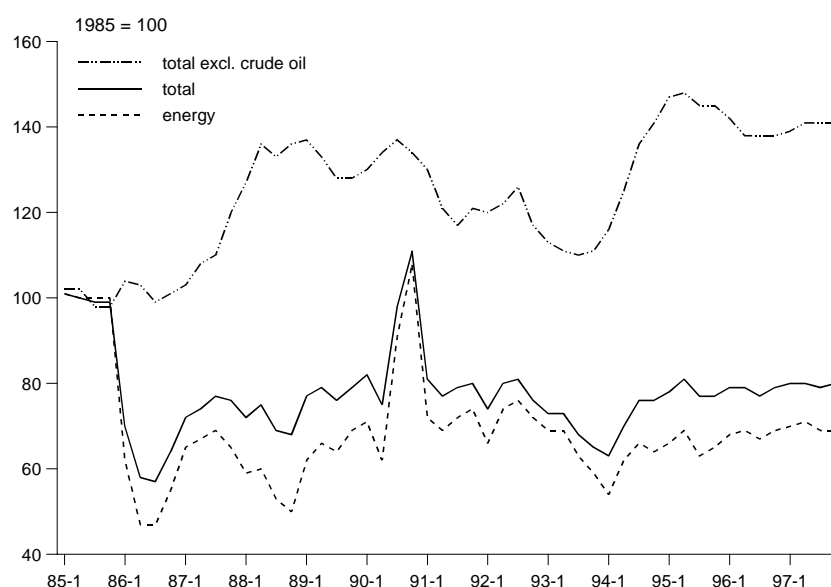
In the wake of the improving economic upswing, recovery in industrial raw materials prices, which are most closely linked to conjunctural movements of economies, is forecast. While they will still fall 9% in 1996, they are forecast to increase by an average 3% in 1997.

Prices of food and tropical beverages, although reacting to shifts in demand, depend on the volatility of supply much more than industrial raw materials. While crop yields of main cereals and soybeans during this and partly of last season were unexpectedly low and forced prices to soar, a reversal in the price trend is now expected. Supply scarcity will vanish as farmers enlarge cultivation in response to high price levels and on the assumption that yields return to normality. However, cereal prices will still be more than 20% higher in 1996 than last year and they will only decrease by 5% on average next year taking into consideration the relatively low stocks. Within the beverages group, coffee price movements have dominated the price level ever since the damage to Brazil's crop in 1994. Coffee prices are forecast to gain momentum up to the



third quarter when new harvests will reach the markets, but they will then resume their downward trend as supply increases and with consumption being expected to remain flat in response to persisting high prices. Due to the expected ample supply beverages', tobacco and sugar prices will, according to the HWWA index, decrease in the current and the following year. Altogether the average price level for food and tropical beverages will decrease in the 1996/97 forecast period.

*Chart 2 Raw material prices, HWWA-index*



The quantitative commodity price forecasts are summarised in the tables 3 to 5. While table 3 reveals expectations of price levels measured by the HWWA index items, table 4 and 5 inform about developments of individual prices.

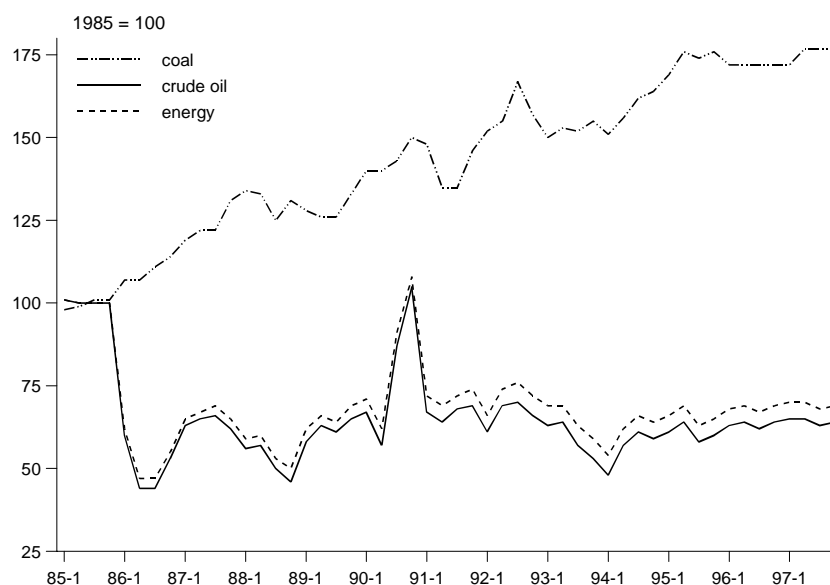
## 2.2 Fuels

### *Crude oil*

1995 world crude oil production increased by 1.8% compared to 1994 levels. The OPEC contributed on average 25.5 million b/d to supply and failed again to stick to the agreed member quota of 24.5 million b/d. Outside the OPEC additional oil from North Sea sources played a major role in the overall expansion of supply (Norway: + 7%; UK: + 3%). While US and FSU production declined, Russia maintained export levels. Energy

demand worldwide went up markedly too in the foregoing year so that prices were well buoyed. On average crude oil prices were 8% up against 1994.

*Chart 3 Energy prices, HWWA-index*



During the first quarter of this year prices rose surprisingly high as stocks declined to below-average levels due to the hard winter, and customers had to rely on spot markets more than usual for replenishing. Moreover, there were some expectations that Iraq would come back to the market soon which would have put downward pressure on prices. However, as this did not materialise, the temporary shortage of spot supply deteriorated due to the fact that postponed buying had to be resumed.

For the whole of the current year the IEA forecasts an increase in world oil demand of 2.4%. This ought to favour further crude oil price strength all over the year as restocking is going on. Despite this, an easing of price pressure is expected as crude oil capacity will still run ahead of consumption. Crude oil capacity will grow at OPEC as well as at NON-OPEC sources. The utilisation rate of OPEC oil capacity (1995: 87%; 1996: 85%; 1997: 82%) is even expected to decrease and NON-OPEC countries will enlarge their market share. Production in Russia will stabilise, with even a slight upward trend in exports. There will therefore be no quantitative restrictions on the supply side if world oil demand again increases by more than 2% in 1997 as a result of better economic conditions. Thus the level of crude oil prices should only slightly improve in 1997 and will remain around 18 US\$ at the end of the forecast period.

If the UN embargo against Iraq were to be lifted (contrary to expectations), the crude oil price forecast would have to be revised downwards.

### *Coal*

After a spectacular strengthening last year, world coal markets have now lost their upward momentum. This year's contract negotiations concluded with only modest price increases or rollover prices; in many cases, suppliers of inferior quality grades had to accept minor price cuts. The settlements reflect lower demand expectations, especially in the European region, resulting from the slowing of economic growth and inter-fuel substitution. Recent breakdown of spot quotations, which peaked in early autumn last year and have been showing a downward trend since then clearly indicates the change towards weaker markets. Therefore, the general level of prices in 1996 will remain practically unchanged from last year's one, with a possible small rise in the case of coking coal and a small fall in the steam coal basket-price. By the end of the year and in 1997, demand should pick up from the steel works as well as from the energy sector. Moreover, a number of new coal-fired power stations are due to be commissioned in the Far East. Consequently, prices should resume a moderate upward trend in this period.

### *Steam coal*

According to preliminary figures, world steam coal imports increased by 18.5 million t (i.e. by 8%) in 1995, and by 14% in the Far East and by 4% in the EU. Strong demand coupled with supply constraints pushed up prices. The benchmark contract price of South African steam coal reached 32.60 US \$/ton (6.90 US \$/ton i.e. 27% above the level in the previous year), while spot quotations have levelled out at over 35 US \$/ton - the price that made it economical for US producers of high-sulphur coal to enter the market.

Prospects for 1996 seem to indicate a marked shift. Several factors will negatively affect demand for imported coal in Western Europe, including projected slower growth for the economies of Western industrialised countries, generous coal stocks and coal substitution (e.g. a sharp rise in hydropower production in the Iberian peninsula). Moreover, demand growth in the Pacific region will probably be lower than in the previous years; in consequence it may be difficult for exporters to transfer tonnage from the European market to the Far East.

The dim market outlook has been reflected in the outcome of this year's contract negotiations. South African exporters have obtained only a minor price increase in their deliveries to Europe, while rollover prices dominate in the exports from the US to Europe and from South Africa and Australia to Japan. Steam coal spot prices, which started to fall at the end of 1995 under the impact of rising US supplies, accelerated their decline in the first quarter of 1996 and further cuts are expected in coming months. The

outlook for higher demand will improve at the end of this year and in 1997 as the planned commissioning of new coal-fired power stations in Japan will add an extra 7-8 million tons annually to coal import requirements. Thus the oversupply on the world steam coal market ought to diminish in 1997. As such, a modest price rise of 5% may be anticipated for next year.

### *Cooking coal*

In 1995, pig iron production in coking coal importing countries increased by 1.6%, the world seaborne coking coal imports were 4% higher than in the previous year, and the EU coking coal import price rose slightly by 1%. However, as in the case of steam coal, the outlook for 1996 has changed considerably. Assuming a slowing of growth of world crude steel production, steel mills will claim substantially less coking coal from their suppliers in 1996/97.

The scale and even direction of this year's contract price changes differ for the main importing areas and coal grades. As to deliveries to Japan, the exporters have gained a 1 - 3 US \$/ton price rise as compared to 5.65 US \$/ton last year. The general pattern in US exports to Europe includes a small price increase for low volatile coal, which is still in tight supply, rollover prices for mid vol. and a small price decrease for high-vol. coal.

In view of these settlements, the average level of the EU coking coal import price should remain at its first quarter level until the end of the year. Next year a moderate price increase can be expected provided that the forecast of improving demand from the European steel industry holds.

## **2.3 Metals**

### **Non-ferrous metals**

Nonferrous metal prices heavily fluctuated during the preceding quarter and the first quarter of this year. While aluminium, copper, nickel and tin prices bounced back, only lead and zinc prices gained strength. On the whole, the level of nonferrous metal prices lost some ground. The main reason for this was a halt in restocking and partly even destocking of industries in view of a fundamentally disappointing performance of the economies of the US and especially of Europe and Japan in the second half of last year. The US economy lost steam with industrial production growing only moderately, while European industrial production came to a halt and in Japan it even experienced a slight downturn. As funds also retreated from the metal market, prices fell markedly. Future price development depends on a recovery in industrial demand. While the cycle in the US is maturing, this soft landing of the economy will mean slower growth in 1996 than in the preceding year. The outlook for Western Europe and Japan is not too bright. An ongoing upswing in Europe is still forecast but its speed will be more moderate than in

the preceding year. For Japan a turn towards a recovery is expected. All in all, industrial production will grow by around two per cent in the OECD area, much less than was previously expected. This downward revision of industrial growth will result in a very cautious replenishment of manufacturers' stocks. Prices of non-ferrous metals will therefore hardly move up in the very short-term. However, as interest rates are low and metal consumption will rise further, the relatively weak prices will induce some reversal in the stock behaviour of industry. Thus prices will be maintained, and in the course of the second part of the year they are even expected to improve. This development is due to production not always being able to meet demand as to the fact that raw material suppliers are expected not to expand production excessively. Furthermore, contrary to the preceding years, world stocks are now on a level which may not sufficiently buffer unexpected shortfalls in production or higher than expected surges in demand. All in all, a halt in the downturn of prices and even a slight revival of the nonferrous metal price level are forecast for 1996.

Next year a continuous growth of industrial output and metal demand will induce further upward price movement. However, as nonferrous metal suppliers will stride to expand production to a greater extent compared to the current year in view of average cost-covering prices, only slight price increases are expected in the course of 1997.

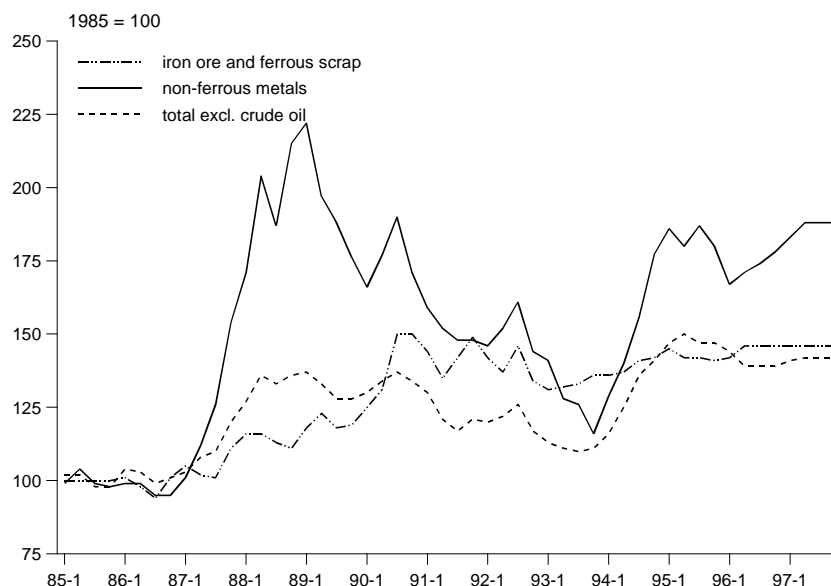
### *Aluminium*

Fading optimism with regard to growth expectations and the fear that aluminium producers will soon expand production as soon as the memorandum of understanding expires have already led prices to tumble in the last quarter of 1995. Price weakness lasted up to the first month of last year but now seems to have bottomed out. Despite moderate growth expectations for the current year, the overall market balance for aluminium points towards further price strengthening up to the end of 1996. Although aluminium consumption will grow by approximately 2%, an even more decisive enlargement of production will need to occur in order to meet the bulk of demand from current output. While last year's production expanded by merely 1.3% and consumption rose by 3%, stocks were drawn down by 500,000 t taking into account net supply from Eastern countries of 2.1 million tons. This year a further reduction of stocks will take place to meet demand in the Western world assuming a 6% output growth in the Western world and taking into account a continued flow of material from former Eastern bloc countries of around 2.3 million tons. The same scenario may be anticipated for 1997, assuming a further marked output increase and an ongoing moderate recovery of demand. Consequently, aluminium producers will not be willing to take steps to come to another memorandum of understanding. Furthermore, Russia will be able to sustain export levels to the West, and its propensity to supply will be a prerequisite to the still moderate price increases anticipated for next year.

### Copper

Copper prices are now 12% below last year's first quarter level. However, the backwardation for cash prices still continues. The retreat of copper prices reflects the opinion that copper price hausse has come to an end, with market fundamentals improving in favour of consumers. Latest statistics of the LME copper stock reveal an increase of 40,000 t since December 1995. However, fundamentals of the market seem to be rather uncertain. According to WBMS a supply deficit of the Western world of around 600,000 t occurred but stocks were still at the same level as in 1994 at the end of 1995 while LME stocks went down by 50%.

Chart 4 Metal and mineral prices, HWWA-index



The WBMS admitted that statistics were very unreliable and other research agencies calculated a small supply surplus. But if production figures are reliable and copper consumption has been underestimated, a copper supply deficit at the end of 1995 is more likely. Price falls are to be explained by the retreat of funds and the reduction of stocks, with manufacturers waiting for an easing of price pressure, while the overall economic outlook at the turn of the year seems to have become more pessimistic than earlier in mid-1995.

Still assuming that copper production will continue its upward movement by 4 to 5% in the forecast period and a very modest growth of consumption in the range of 1.5 to 2.5%, the Western world market will experience a supply deficit which will not be

covered by net exports of former socialist countries. Another reduction of world market stocks is likely, and prices will gain momentum during the remainder of the current year. As the gap between supply and demand will be quite small next year, only slight increases of copper prices in the first half of 1997 are forecast. Besides very poor statistics of the copper market, considerable differences in estimates of Chinese market requirements prevail. While some observers still suppose that China will absorb a net amount of 150,000 tons of copper, others expect the Chinese to be net exporters in 1996 and in the following year.

### *Lead*

Lead prices have rocketed in the last 4 to 5 months in response to a real physical shortage and are now 30% above the level of the first quarter of 1995. A seasonal upturn in replacement battery demand due to adverse winter weather conditions in the US and Europe has added to the fundamental squeeze of supply. In the wake of the upswing in the car industry in 1994, when lead consumption grew by around 5% and production rose by 1%, world stocks were already reduced in that year. As production stagnated in 1995 and consumption continued to grow marginally, another deficit of Western world supply of around 200,000 t became inevitable. Only half of this deficit could be offset by former Eastern Bloc countries' exports. About 90,000 tons were drawn from world stocks. Up-to-date estimates put lead consumption growth in the range of 2%; this growth is attributed mainly to further increases in the automotive industries' output for the current year. Only a small rise of 1% in the lead output of the Western world would appear sufficient to underpin expectations of sustained high lead prices. As net exports of the former Eastern socialist countries will be even less than in the preceding year due to supply shortages of lead concentrates, world stocks will be reduced to a volume of only 4 to 5 weeks of consumption. Next year a 3% output increase by lead producers in response to the high price level is predicted. Assuming lead consumption grows at a comparable level to this year, another (although smaller) supply deficit of the Western world will result. There are no signs that net Eastern countries' exports will recover. As such prices will still gain some ground into 1997 before being consolidated at their high level.

Lead will be 20% more expensive on average this year and 6% more expensive in the following one.

### *Zinc*

Zinc prices lagged behind most metal prices in the recovery from depressed levels. Most part of the preceding year they lost ground. The final quarter only saw a reversal of price trend as fundamentals changed in favour of producers. One sign was the reduction in visible stocks at the LME which continued into the first month of this year. Compared

to end 1994 LME stocks are now 50% down. The year end balance of the zinc market yielded a 30% decrease of world stocks. While consumption was up by 3% on account of reasonable investment spending in the US and Europe, production remained flat and a supply deficit of 560,000 tons was only compensated for 50% by net former Eastern bloc countries' exports. This year a similar supply deficit is foreseen. Zinc consumption will hold up well although the slowing of economic activity in the main industrialised countries will also take its toll on zinc consumption. However fast growing demand is expected in the Far Eastern countries e.g. South Korea, Taiwan and Malaysia. Western world supply is not expected to keep pace with demand, and deliveries from Russia and from Kazakhstan are expected to shrink because of supply disruptions. The market will see another year of supply deficit and consequently a reduction of world stocks in 1997 with the result that prices will climb further. However, as new capacity is expected to come on stream late in 1997 and as China will also again become a major exporter prices should stop rising.

#### *Nickel*

While nickel prices heavily fluctuated during last year the price level still climbed by 32% on average against 1994. Only during the last two quarters did prices see some relief. Nickel supply-demand balance in the Western world was very tight last year and only when Russian deliveries resumed and revealed themselves to be much higher than was expected in the face of the bad news from Russian producers did market tension ease. Moreover overestimations of stainless steel demand receded as the business outlook for the investment goods industry became less hopeful. Stainless steel producers became more cautious in buying and worked from their stocks, despite the fact that nickel inventories at the LME went down further. They now amount to a mere 38,000 tons as against 149,000 tons at the end of 1994. Nickel consumption will grow by 4% this year as stable demand from the stainless steel industry is expected. After a surge in production of the Western world of more than 8% last year, additional growth of only 1% is assumed. The production deficit of the West will be filled by Russian net exports even if Russia is not able to maintain the very high level of deliveries of last year. Thus world stocks will not shrink further. However, they will remain quite low and this fact will support some additional price rises during the current year. On average a small drop of 1% may arise compared year on year. The tight supply-demand balance will continue into the next year and an albeit small increase in prices is still foreseen. Only after 1998 will huge Canadian nickel mines come on stream, which may considerably change the market fundamentals for metal and thus put an end to dependence on Russian supply.



*Tin*

Despite a certain drop in tin prices in the final quarter of last year, prices gained 14% on average compared to 1994. The fundamentals for tin justify last year's price improvement as production dipped in the Western world by 4%, while consumption grew by 2%. The resulting gap of 43,000 t was mainly compensated by Chinese exports and deliveries from the US strategic stockpile. Also commercial stocks were reduced by one third. Visible stocks at the LME went down considerably from 28,000 tons at the end of 1994 up to 10,000 tons in February of the current year. The reversal of market balance in a market which has suffered from considerable oversupply in previous years, is due to a change of Chinese export policy since joining the ATPC. A downward trend in Brazilian output and exports has added to the change of market balance, while consumption also recovered in 1995 by 2%. Sustained consumption growth in the range of 2.3% each year in 1996 and 1997 is foreseen in view of the ongoing modest cyclical upswing in the Western world. Production in this area will not be sufficient to meet needs, with the result that Chinese supplies are expected to be approximately 25,000 t per year. Releases from stockpile will continue on the same level but stocks will still be reduced further. Prices will resume their upward trend and in 1996 they will on average be 1% higher than in 1995, while next year they will climb by 7% on average. The permanence of an export quota system remains an open question. Its prolongation is to be agreed upon this year. As far as certain ATCP members are concerned, there is little likelihood of a new agreement being reached. The reluctance of those countries seems to be justified by the favourable market prospects for tin.

**Ferrous metals***Steel*

Last year's steel production reached record levels. Global output increased by 3%. EU production was up by 2.7%, while in the US it was up by 4.8% and Japanese output was 3.4% higher than in the previous year. Only Chinese production stagnated. This output growth reflects favourable demand and consumption development in most countries. The increase in steel consumption reached 1.7% last year worldwide, while growth rates in the USA, EU, Japan and the former USSR were 3.6, 8.0, 5.4 and 2.3%, respectively. Chinese consumption declined by 12% from a previously very high level.

Consequently, the representative quotation of reinforcing rounds gained on average 10% in the foregoing year. During winter the European export price of reinforcing rounds nevertheless declined contrary to earlier forecasts. The decrease was due to a weaker-than-expected economic development especially in Europe, and increasing competition from the Eastern European countries, although economic development in East Asia continued to be strong. The stagnation and in some cases also a decline of

European GDP during the winter was accompanied by an extraordinarily weak development in many steel-using industries. The cold winter was one exceptional feature behind this disappointing development. Generally, business expectations for 1996 have become less optimistic and steel consumers have adjusted their inventories accordingly. Besides construction steel, sluggish economic development in Europe hit the production of long products with even more pronounced price decreases. For example, the export price of cold rolled coils in March was around 30% lower than a year before, while reinforcing rounds were around 10% cheaper. Meanwhile producers' accumulated steel stocks and lower prices led to co-ordinated cutbacks in production during the winter months. In January, French, German, British and Belgian output was already 10% lower than a year earlier. Prices are nevertheless assumed to bottom out in early spring. The obvious recovery in construction from the exceptionally low level in Europe together with the decline in steel production is having a stabilising effect on markets. Furthermore lower interest rates will support investment growth and thus strengthen the steel markets in Europe. However, the 1996 demand for steel in the EU will still remain below last year's level. Steel consumption in Japan will recover once again and with fast growing East Asian consumption the dollar price of reinforcing rounds will see a turn around although it will still be down by 10% on average in 1996 compared to 1995. Next year, prospects for steel markets will improve further and the export price of reinforcing rounds is likely to go up by nearly 8%. The overall weaker average growth in demand will restrict further price increases in spite of production cuts.

#### *Steel scrap*

The price of heavy melting scrap increased rapidly at the beginning of this year even though it was already at a very high level. Although American prices declined in March and European economic development has been weak, there is no general tendency towards lower prices. The decline may only be the correction in prices after a strong increase in January, which was due to limited supply because of freezing weather conditions and snow storms. The structural change in steel production towards scrap-using is continuing. As such, the rapid increase in East Asian steel production is based heavily on electric arc technology, which means net import needs for scrap will rise because the scrap generation in these countries is still not sufficient to meet the surge in demand. The very high price, however, will enhance world wide scrap collection as well as the production of substitutes. The price will fluctuate at a high level but still gain 4% on average in 1996 and falter somewhat next year.

*Iron ore*

The iron ore contract price for this calendar year was raised by 6% compared to 1995. The higher level this year was agreed upon after some years of decline. The price rise was relatively smooth because of the enlargement of iron ore production and the decrease in steel production in North America, Western Europe and Japan in the winter. The Japanese mills made the first agreement with the Australian mines this year. Brazilian producers agreed recently on similar terms with the German customers. However, economic growth in industrialised countries is assumed to gain momentum only slowly. As a result, the pressure to increase ore prices again next year will not be very high. Therefore, iron ore prices are forecast to remain at their current level up to the end of 1997.

In a longer term perspective high steel scrap prices will also favour higher ore prices as the expansion in production of scrap substitutes will induce increases in the demand for iron ore.

*Manganese ore*

The annual contract price of manganese ore has been stable since July 1994 after previous rapid decreases. The current price of 204 dollars per metric ton unit (mtu) is well below the peak price of 400 dollars, which was reached in the early 90s'. The pronounced drop of manganese intensive carbon steel production in the former USSR has now come to a halt. Manganese demand will be more healthy during the forecast years. In spite of a decline in raw steel production in the industrialised countries at the end of last year, global production is expected to increase in 1996-97. So the recent economic development in the industrialised countries justifies predictions of modest price increases for manganese ore for this and the coming year.

*Tungsten ore*

Tungsten ore prices declined considerably contrary to expectations during last winter. The decline was particularly related to unforeseen Russian sales. The supply of ore derives to a great extent from stocks built up last year. The market fundamentals are changing due to the fact that Russian and Chinese stocks are quite low as a result of mine production cuts. The market will tighten even though the increase in demand will be relatively moderate. Replenishment of inventories will support some upward shift in prices. However, the possible reopening of idle mines outside China in the case of price surges will limit the upward trend in the near future.

## 2.4 Agricultural raw materials

### *Woodpulp*

Throughout 1994 and most of 1995, woodpulp and paper markets underwent a dramatic boom. Shipments, prices and profits went up. The price of the benchmark woodpulp grade NBSK rose from 390 dollars per ton in December 1993 to 1,000 dollars in October 1995. From trough to peak the price increased by 156%. Woodpulp prices have however collapsed over the last few months as the decline in paper orders which had begun in mid-1995 in both North-America and Western Europe continued and paper plants consequently reduced inventories. Thus NORSCAN market pulp shipments declined by more than 20% in the fourth quarter according to the latest estimates. Despite temporary production cuts at woodpulp plants, pulp prices at the beginning of March were down 40% on their November level and may also decline in the second quarter, up to a point where most pulp companies will significantly reduce their output.

### *Softwood*

Softwood prices in Europe fell sharply in 1995 in the wake of a severe downturn in housing construction. This decline was especially noticeable in Germany, in the United Kingdom and to a lesser extent in France. Furthermore, in Germany and more generally in Northern Europe, harsh winter conditions hampered construction. The prospects for the 1996-1997 period are on the whole rather mixed, and the fall in housing permits does not bode well for the beginning of 1996.

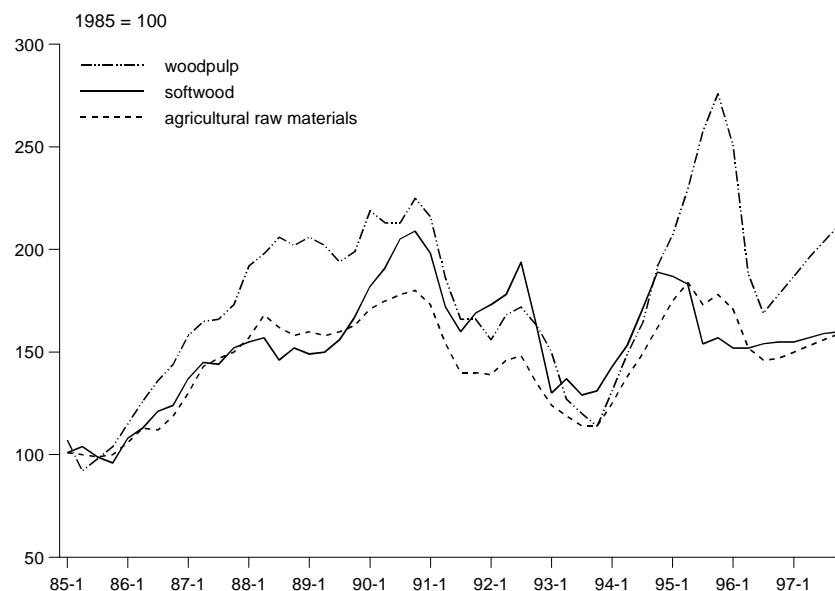
Housing permits in West Germany reached a peak of 590,000 in 1994 and fell to around 440,000 in 1995. In the United Kingdom, the most important softwood importer in Western Europe, after a dismal year in 1995, some improvement due to the decline in short-term interest rates was able to take place by mid-year (in the UK, housing demand is much more linked to short-term interest rates than to long-term rates, whereas in most other European countries it is the opposite). In France a moderate resumption in new housing projects in the second half of 1996 is foreseen due to the effects of the so-called "zero loan rate" aimed at facilitating access to private housing ownership. As the Scandinavian softwood producers have already cut their output in the face of lower demand, softwood prices are expected to have bottomed out but will stay at a rather low level throughout the first half of 1996, and they will only start to rise very moderately by the middle of the year.

### *Non-coniferous wood*

The non-coniferous wood price index published by UNCTAD started to decline slightly by mid-1995 (-4.7% from a peak in July 1995 to January 1996). Figures available for

certain specific tropical timber prices even show larger declines. Sapelli logs are down 15% in January from a year ago and Dark Red Meranti sawnwood decreased by 14% in the same month from their peak in March 1995. Overall, the scope of the decline was, as expected, less pronounced than for softwood prices due to supply scarcity. Nevertheless, the easing in prices is somewhat surprising as the Japanese housing market is undergoing a recovery. If the current upturn lasts, tropical timber prices could be expected to pick up soon.

*Chart 5      Agricultural raw material prices, HWWA-index*



### *Rubber*

In line with the recovery of automobile industries rubber prices continued to climb to the middle of the preceding year. Nevertheless, the improved price level induced an unexpected surge in rubber supply. Tapping of small holders especially in Thailand and Malaysia markedly increased. As demand during the second part of 1995 weakened, inventories of rubber grew and prices began to fall. There are however doubts as to the extent to which intensified rubber tapping can be maintained in the current year. As demand is foreseen to grow by around a further 2% in 1996, inventories will have to be reduced again. Price trends have therefore already reversed in the first quarter of the current year, and further upward reactions are to be foreseen in the course of next year when the car industry will resume growth in Western industrialised countries. Moreover, higher demand levels are expected by China, now the world's second biggest natural

rubber importer, and by South America. A growing car industry in the Far East will add to higher consumption of rubber too. Prices will rise by 7% on average this year, and by 1% next year, having already soared by around 60% in 1995.

Rubber producing and consuming countries met at the end of March in order to sign a new International Natural Rubber Agreement (INRA), still not put into force because of a lack of support from consumers. While the US refused to sign the pact, China did not even participate in the last meeting. The pact has to be signed by 75% of rubber producing and consuming states before it can come into effect in January 1997. A renewal of the agreement is still doubtful as the outcome of the recent meeting was to extend the deadline for the signing of the new INRA to the end of July 1996.

### *Cotton*

According to the International Cotton Advisory Committee (ICAC), world production is estimated at 19.2 million tons for the season 1995/96, an increase of 5% compared to the previous season (1994/95). The earlier expectations of higher yields did not materialise because of bad weather conditions mainly in the US. Worldwide demand could reach 18.7 million tons and consumption would remain 600,000 tons below production in 1995/1996. But it will still be higher than that of the previous season (+ 3.3%). World-wide imports of cotton will decrease due to weak Chinese demand. China's crop is estimated to be large enough to cover home demand, thus avoiding the need for sizeable imports. Thus world stocks are growing but from low levels. Over the next months cotton prices could follow a downward trend, with global production being able to meet demand. The chances of a further price increase are rather limited. Worldwide supply for next season could exceed 20 million tons due to the extension of cultivated area in response to relatively high prices. In 1995/96, the cotton area increased to 35.5 thousand hectares, the largest area since 1952/53. In spite of this, global output is only expected to increase by 2% this season. If cotton consumption recovers further in line with better prospects for textile industries, prices may stabilise during the first half of next year and then climb somewhat.

The levelling out of the decline in the cotton industry in Russia and some rise in Eastern European consumption may support this view.

### *Wool*

Australian wool prices fell again in the first quarter of 1996 due to wool demand remaining low as was also the case during the previous three quarters. This is illustrated by the quantity of wool sales which is down 30% this season up to the end of February compared with the same period in 1994/1995. Australian wool exports, the main source of world market supplies, fell by 23.3% to 24.5 million kg in the first half of the 1995/96 season compared to the same period last year. At the end of January, there were 940,000

unsold bales in broker stores. Obviously the abolition of the 4.5% wool tax at the beginning of February (this tax on wool growers was used to pay for debt accumulated by the former price support scheme) and the temporary reduction in the Chinese greasy wool import tariff from 15% to 10% was not enough to support demand.

With weak demand continuing into the current year wool prices will reach a new low in the third quarter. Thereafter prices are expected to stabilise as wool stocks decrease; consumption of wool is forecast to recover with expected higher income in Western world economies and with a resumption of Chinese imports.

#### *Cattle hides*

Prices for cattle hides fell marginally during winter time because of increasing slaughtering and a not too strong demand. Prices might fluctuate heavily over the coming years, with BSE fears leading to a destruction of major cattle herds and the destruction of skins which this would also entail.

## **2.5 Food and tropical beverages**

### *Wheat*

The sharp increase in international wheat quotations starting in summer 1995 continued until the first quarter of 1996. The reason is the second consecutive major production deficit, which will lead to a record low stock/consumption level at the end of the fiscal year 1995/96. This tight balance on the wheat market is aggravated by an even larger deficit on the coarse grain market. The wheat deficit is larger than previously expected, not only because of downward corrections of production, but also because of strong consumption in spite of very high prices. Although consumption in the US reacted quite elastically and is expected to drop by more than 10%, this is more than compensated for by increases in the EU and China. The EU isolates its markets from scarcity on the world market by an export tax and continues to experience a lasting increase in feed use. This is a consequence of the marked change of price relations between wheat and grain substitutes as a result of the reform of the EU agricultural policy. Production for 1996/97 is expected to increase to about 550-560 million tons. This will be a reaction to high prices in market-oriented countries like the US, Australia and Canada, but also in the EU where the set-aside requirement has been reduced somewhat. A slight recovery is also expected in the former USSR. However, even if this increase materialises - and there are weather-related risks in the US and the EU, and if utilisation stabilises as expected - there would only be a small production surplus. Wheat prices will therefore decline only marginally from their high level during 1996 and will continue to do so during 1997.

### *Maize*

Only during winter did the full scale of the US production slump become apparent. US maize production in 1995 dropped by 70 million tons, i.e. about 27 per cent. World supply was furthermore aggravated by sharp crop reductions in the former USSR. The consequence is a major production deficit in spite of a fall in consumption and an all time low in the stock/consumption ratio expected for the end of 1995/96. With already tight markets for wheat, maize quotations rose sharply during autumn and winter. The relatively moderate reaction of consumption to sharply increasing prices is due to the relative isolation of the markets in China as well as in the EU, and the shift to grain away from grain substitutes in the EU. Moreover, the structurally strong demand for coarse grains is caused by a permanent increase in production of high fructose corn syrup, of glucose of starch and of fuel alcohol in the US where already about 1/6 of US-maize production was absorbed for these purposes in 1994/95. Even with an expected recovery of coarse grain production in 1996/97, the strong demand would be surpassed only slightly. Therefore, prices in 1996 will basically remain at the high level reached in spring and a slight decline may set in during autumn, when stronger production reactions gain momentum. Another expansion of production in 1997 would force down prices to a certain extent.

### *Rice*

Rice prices continued to rise as stocks have fallen to a very low level. Already for some years rice consumption has exceeded production so that stocks have had to be reduced. The world market for rice is nevertheless expected to be rather balanced for 1995/96 as near record world production is expected. India especially will have exceptionally large amounts available for export as it does not possess adequate facilities to store the rice surplus.

Latest estimates also expect higher rice output in China. Globally there will be a very small production surplus and the stock/consumption ratio will stay at 13% . Thus prices will decrease slightly from their now rather high level.

### *Soybeans*

Soybean prices have reached an average level of about 300 dollars per ton in the first quarter of 1996. There were two main reasons responsible for this surprising development. First, soybean production in the United States and, to a lesser extent, in the main South American countries, has lagged behind expectations. The second reason was the rise in feed grain prices which also had a positive effect on demand for soybean meal. The market will not drastically change this year. The size of the soybean crop from the Southern hemisphere countries, which will be harvested in the coming months, will be too small to replenish the current small soybean stocks. Moreover, because corn prices are expected to remain high this spring, US-farmers will have insufficient



incentives to expand their soybean area. According to the USDA, farmers will allocate between 1.5 and 2.0 million acres less to soybeans this year than they did last year. Since it is not expected that the production of competing oil crops will increase above trend, the market for soybeans will, for the time being, remain tight. The combination of small stocks and hardly increasing production will keep the price of soybeans at a relatively high level up to mid-1997. Only when prices for feed grains begin to ease a marked decrease in soybean prices can be expected. We do not expect this to happen before the middle of next year.

#### *Soybean meal*

The scarcity of soybeans and feedgrains has also had a pronounced effect on the price for soybean meal. In the last quarter of 1995, meal prices increased by some 18%. The strong upward price movement continued in the first quarter of 1996. However, when in the coming months the soybean crop of the Southern hemisphere countries enters the market, some downward pressure on prices can be expected. Moreover, there are indications that bean-crushing will be increasingly driven by a growing demand for soybean oil. This will also exert a downward pressure on meal prices. On the other hand, the fundamentals still point in the direction of lasting relatively high price levels. Stocks of feed grains, soybeans and competing oilmeals are small. Feed grain prices are high which means that soybean planting and thus soybean meal production will not increase in the near future. Taking these factors together, we expect that at least in the remainder of this year, soybean meal prices will stay near their present level. Next year soybean production in Argentina and Brazil will increase by more than average as a reaction to high prices this year. If feed grain prices return to lower levels, there will be scope for a more marked drop in meal prices, too.

#### *Soybean oil*

In recent months, price movements of soybean oil have been more or less opposite to the price movements of meal. After a period of price stabilisation in the second half of 1995, prices of soybean oil fell by nearly 10% in January. The existing large soybean oil stocks, which are a consequence of strong meal production, because oil is a by-product of crushing, and a significant drop of the import demand for vegetable oil by China are the main factors behind this development. But consumer demand for vegetable oils will increase rapidly this year in most Asian and South American countries while palm oil production will fall short of expectations, mainly in Malaysia and Indonesia. There is therefore room for modest soybean oil price increases during the remainder of this year. As the high prices will induce production expansion of soybeans and competing oilseeds, supply scarcity will vanish. With the start of the second quarter

of 1997, when the Southern Hemisphere soybean crop enters the market, prices of oil are projected to go down.

### *Beef*

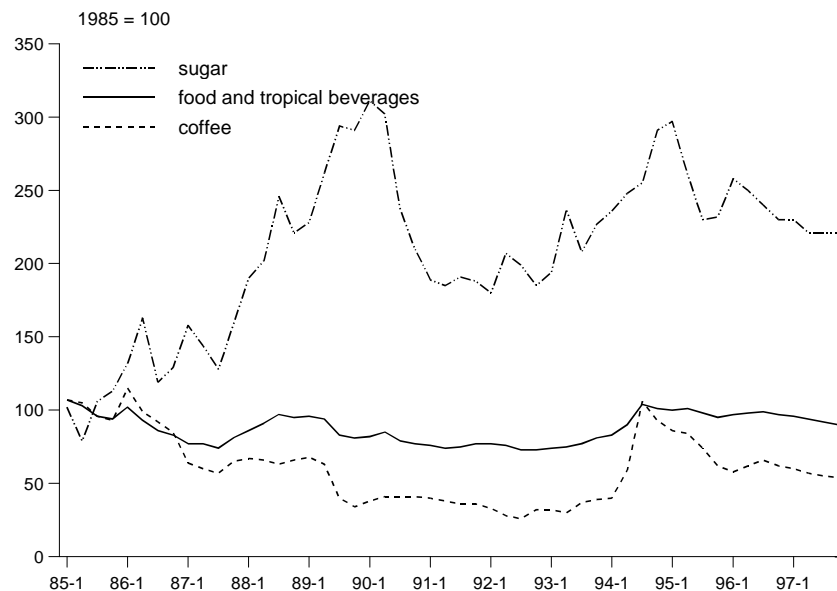
Cattle stocks have been enlarged in the US, with the consequence, that this traditional importing country will become a net exporter. Since beef production is increasing on a global scale and expansion of demand will lag behind because of dampened income growth in major consumer regions, prices are expected to fall slightly. If the fears about the BSE disease spread to additional countries, a major slump in demand and in beef prices cannot be excluded.

### *Sugar*

Although the fundamentals for the world sugar market (1995/96) have hardly changed since autumn 1995 and still point to a major production surplus, international quotations for raw sugar did slightly increase during the first month of 1996. The main reason for the still high sugar quotations is the lack of immediate supplies from Brazil and delayed shipments from Cuba and from India, the latter because of harbour congestion.

Also sugar from the EU has been late on markets this season as crops were delayed. In the case of India it even seems unlikely that the whole of the current sugar surplus will reach the world market as producers are not willing to accept low world market prices and as the potential for additional home consumption seems to exist. Nevertheless, the prevailing price level is hardly compatible with the above-mentioned fundamentals. One other explanation points to an overestimation of world production and of stocks at year end. Although world sugar prices will remain high in a long-term perspective, a further strong reaction of supply may not materialise, because the cultivation of competing commodities (grains) is still highly profitable. Prices will therefore only fall moderately during 1996 and will continue to do so during 1997.

*Chart 6      Food and tropical beverages prices, HWWA-index*



### *Coffee*

After reaching a high of 202 US-cts/lb in September 1994 the ICO indicator price slid to a level of 103 US-cents/lb in March 1996. This fall was only interrupted by some minor short-lived price increases. The current prices do not appear to sufficiently reflect the real market balance at the present time. The damage caused by two frosts in Brazil in 1994 and the subsequent drought have created a very tight situation causing a significant reduction in stocks. In 1994 and 1995, high prices led importers and roasters to live off the stocks they had accumulated during the export boom in the early 1990s. According to figures released by the International Coffee Organisation, inventories and stocks of green coffee in importing member countries fell from 17.9 million bags at the end of June 1993 to an estimated 11.8 million bags at the end of June 1995. From January 1995 to January 1996 consumer stocks of green coffee fell from 13.4 million to 8.4 million bags according to the trade house E. D. & F. Man. This reduction would have been higher had not consumption reacted to the increase in retail prices. This draw down of stocks had a negative impact on imports. Again according to ICO, imports by importing member countries fell to 54.4 million bags in the July 1994/June 1995 period from 57.0 million bags in the previous year and 63.0 million bags in 1992/93. The amount of 54.4 million bags imported during July 1994/June 1995 is well below the export ceiling of 60.4 million bags the ACPC agreed upon for the July 1995-June 1996 period.

With stocks in importing countries very low the retention scheme will become more effective and therefore prices are likely to remain high in the coming months. The recent tightness in supply is also illustrated by the backwardation on the futures market. However, with the 1996/97 Brazilian harvest reaching the market (in the second half of 1996), prices will resume their downward trend. Furthermore, with an accumulation of stocks in producer countries, the retention scheme may well collapse with stockholding becoming too expensive.

### *Tea*

In the third quarter of 1995 tea prices in London recorded a historical low in real terms. A record crop in Kenya and reduced consumption in Western Europe during the hot summer were responsible for those depressed prices. Sluggish import demand in Russia could also partly be blamed for the price weakness.

In the fourth quarter of 1995 tea prices showed an unexpected increase. With a reversal in the downward trend of industrial production, Russian tea imports started to increase substantially. This renewed appearance of Russia on the world market underpinned tea prices. With economic reforms gradually beginning to take effect in this country, GDP growth may reach 3 to 4% next year. As a result tea imports in Russia could increase again, leading to somewhat higher prices. However, as tea supply will be ample during the forecast period, prices are expected to remain at a low level.

### *Cocoa*

After a small increase during the fourth quarter of 1995, cocoa prices resumed their downward trend in the first quarter of 1996 as the supply deficit is smaller than expected six months ago.

The relatively small deficit is a result of bumper crops in Africa and only modest increases in offtake. Production is expected to increase significantly in the Ivory Coast and in Ghana following good weather and somewhat better price incentives for farmers. For the Ivory Coast early estimates indicate a record production of 1.1 million tons whereas production for Ghana is estimated at 340,000 tons (its largest crop since 1976/77). Furthermore, although the current crop in Brazil has been adversely affected by bad weather, the May/September 1996 crop is expected to return to normal. Taking these figures into account, net world production might reach 2.664 million tons. With new plantations coming to maturity in African producer countries, production will remain at a high level during the 1996/97 crop season. World grindings are expected to increase by 3-4% and will amount to 2.617 million tons in 1995/96 although consumption in the US, the largest consumer, will be curbed by price increases announced last year. In Eastern Europe consumption is continuing to grow as the positive impacts of economic reform are felt.

The supply and demand figures stated above imply a surplus of 47,000 tons for the 1995/96 crop year. This surplus is added to the 1.1 million tons already in storage. With stocks increasing again we expect market prices to remain depressed throughout the forecast period.

## **2.6 Shipping rates**

### *Tramp rates*

The extraordinary upswing of tramp rates from March 1994 to May 1995 (33%) was due to the combined effects of a strong increase in world trade and the depreciation of the US \$. However, with the dollar strengthening and a somewhat slower pace of bulk freight demand, freight rates decreased by as much as 19% by the end of 1995.

Assuming a still further growth in world trade of bulk commodities in 1996, albeit at a slower pace than last year, it is likely that freight rates will stabilise in the first half of this year. In the next year freight rates will tend upwards again, as shipping costs will further increase driven by higher oil prices and as growth perspectives for world trade improve.

### *Tanker rates*

Tanker freight rates are always based on *Worldscale* = 100 at the beginning of every year, taking into account changing costs for bunker oil and harbour dues. Changes by comparing different years are not easy to interpret. At the moment for 1996 only the rates for January are available. Generally tanker rates exhibit a strong seasonal pattern which will be taken into account in the current quarterly forecast. It is assumed that increasing oil prices (1995: 8%; 1996: 4%) will have a further 'cost push' effect on tanker rates (1995/96: + 10%). In 1997 growing world demand for oil but stable oil prices in combination with the growing tanker fleet will lead to a stabilisation of tanker rates on average.

### *Liner rates*

The downward trend of German overall sea freight rates of liner trade, measured in DM, (-10% from Nov. 92 until March 95) seems to have been reversed by now. The revaluation of the US \$ against the Deutschmark is one explanatory factor. Additionally, better growth perspectives for the world market in 1997 will have a positive impact on the stabilisation of liner freight rates. An increase of about 1% in both 1996 and 1997 may be expected.





*Table 5      Current and Forecast Prices of individual Commodities not included in the HWWA index, per cent change over the previous period*

	1995				1996				1997				1995	1996	1997
	I	II	II*	IV	I	II	III	IV	I	II	II	IV			
Beef	-2	-13	-4	-4	3	0	6	0	0	0	0	0	-20	-2	-3
Soybean	4	-2	4	5	3	2	2	-1	1	0	-6	0	-4	11	-4
Soybean	-3	-9	2	-1	-3	-3	-3	-1	-4	-1	-1	-2	1	-9	3
Tropical															
hardwood	0	1	-4	-3	-1	0	0	0	2	2	2	2	3	-5	5
Steamcoal	20	1	1	0	4	0	-1	2	2	0	3	0	26	4	5
Manganese	0	0	0	0	0	3	0	0	0	5	0	0	-4	2	4
Tungsten	14	10	1	6	7	7	0	0	0	0	9	0	53	21	11
Steel	3	7	-7	1	0	2	0	2	0	4	0	0	9	1	8
<i>Shipping rates</i>															
Tankers	7	-7	18	-1	0	-14	-6	11	4	-8	14	-10	21	-7	0
Tramps	7	5	0	0	-2	0	0	0	-2	0	4	6	29	-1	4
Liners (DM)	-2	-1	-1	3	-3	-3	3	-3	-3	0	1	1	-7	-3	1

\* Partly estimated.