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Le commerce mondial en 1996-1998

World commodity prices 1996-1998

CPB Netherlands Bureau for Economic Policy Analysis,
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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 1997, the Centre d'Observation of the Chamber of Commerce at Paris 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: CPB Report 1997/1. 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 Kiel Institute of World Economics reported on behalf of the Working Group on Commodity Prices. The group is formed by specialists on raw materials 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

Summary

This Working Paper contains two half-yearly reports by working groups of the AIECE, the Association of European Conjuncture Institutes. The first report is by the Centre d'Observation Économique de la Chambre de Commerce et d'Industrie de Paris, on behalf of the Working Group on Foreign Trade, the second is by the Kiel Institute of World Economics, on behalf of the Working Group on Commodity Prices.

The *Trade Group* observes that world trade growth, in volume terms, was just under 6% last year, 2 percentage points less than in 1995. But this lower figure hides a recovery during the year, mainly based on the acceleration of intra-European trade. Stronger activity in Europe will be one of the main factors behind the dynamism of world trade in 1997-1998, with growth reaching 7% in both years. Moreover, exchange rates movements (appreciation of the dollar against the European currencies and the yen, appreciation of the lira and of the British pound against other European currencies), affected import and export prices last year. This should lead to a redistribution of market shares between the main competitors. One striking feature of the forecasting exercise is that international trade prices would be almost stable, which underlines the absence of inflationary pressures at world level. This phenomenon can largely be explained by the keen international competition and the openness to international trade. Added to the report are two special notes, one by KOPINT Budapest assessing recent trade trends of the various Eastern European countries, and one by CPB focusing on the export performance of Hungary, Poland and the Czech Republic since 1991.

The *Commodity Prices Group* deals in particular with the raw material markets. World commodity prices increased in 1996 on aggregate by 7%. However, taking yearly averages, this was the result of heterogeneous developments: increasing oil prices, which have a dominant weight, and falling prices for industrial raw materials and food and beverages. Forecasts for 1997 and 1998 point in the opposite direction: oil prices are expected to fall slightly whereas industrial raw material prices are likely to increase, a process which already began at the end of 1996 and will level off through 1998. Prices for food and beverages will decline slightly after a pronounced increase during the first months of 1997.

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

– Working Group on Foreign Trade –

LE COMMERCE MONDIAL EN 1996–1998

Report presented to the AIECE Spring meeting
Venice, May 5-7, 1997
by Alain Henriot
Centre d'Observation, Paris

Tableaux standards préparés par le COE et le CPB

Les instituts membres du groupe sont

COE	Chambre de Commerce et d'Industrie de Paris, Paris
CPB	Netherlands Bureau for Economic Policy Analysis, The Hague
DULBEA	Département d'Économie Appliquée, Bruxelles
FTRI	Foreign Trade Research Institute, Warsaw
HWWA	Institut für Wirtschaftsforschung, Hamburg
INSEE	Institut National de la Statistique et des Études Économiques, Paris
ISCO	Istituto per la Studio della Congiuntura, Roma
KOPINT	Institute for Economic and Market Research, Budapest

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VUE D'ENSEMBLE

La croissance du commerce mondial, en volume, s'est établie un peu en-deçà de 6 % l'an dernier, soit environ deux points de moins qu'en 1995. Mais ce tassement cache en fait une franche accélération en cours d'année, notamment sous l'effet du raffermissement des échanges intra-européens.

L'intensification de la reprise de l'activité en Europe serait un des éléments à l'origine du dynamisme accru des échanges internationaux en 1997-1998, dont le rythme de progression devrait avoisiner 7 % en volume. Par ailleurs, les mouvements de change intervenus l'an dernier (appréciation du dollar contre les monnaies européennes et contre le yen, hausse de la lire et de la livre contre les autres devises européennes), qui ont sensiblement affecté les prix des importations et des exportations de certains pays, se traduiraient par une redistribution des parts de marché des principaux exportateurs mondiaux.

Autre fait marquant, cette progression du volume du commerce mondial s'effectuerait dans un environnement caractérisé par une quasi-stabilité des prix des échanges, ce qui souligne l'absence de pressions inflationnistes au niveau mondial. L'intensification de la concurrence internationale et l'ouverture croissante des pays aux échanges extérieurs ne sont pas étrangères à ce phénomène.

OVERVIEW

World trade growth, in volume terms, was just under 6% last year, 2 percentage points less than in 1995. But this slowdown hides a recovery during the year, mainly based on the acceleration of intra-European trade.

Stronger activity in Europe will be one of the main factors behind the dynamism of world trade in 1997-1998, whose growth rate should reach 7% both years. Moreover, exchange rates movements (appreciation of the dollar against the European currencies and the yen, appreciation of the lira and of the British pound against other European currencies), affected import and export prices last year. This should lead to a redistribution of market shares between the main competitors.

One striking feature of the forecast exercise is that international trade prices would be almost stable, which underlines the absence of inflationary pressures at the world level. This phenomenon can largely be explained by the more keen international competition and the openness to international trade.

I Les échanges internationaux en 1996

La croissance du PIB des pays industrialisés a été proche de 2,5 %

La croissance du PIB des pays industrialisés¹ en 1996 a été supérieure d'environ un demi-point à celle de 1995. Ce résultat recouvre cependant des réalités relativement différentes selon les pays ou les zones, tant en ce qui concerne les performances elles-mêmes que les dynamiques conjoncturelles sur lesquelles elles reposent.

Aux Etats-Unis, la cinquième année du cycle d'expansion s'est traduite par une progression du PIB de 2,4 %. Certes, ce résultat a été obtenu au travers d'évolutions infra-annuelles heurtées, ce qui a contribué à susciter une alternance de phases d'optimisme et de pessimisme de la part des observateurs, notamment sur les marchés financiers. La fin de l'année a été cependant caractérisée par une activité soutenue, notamment grâce à la bonne tenue de la consommation des ménages.

Au Japon, la forte hausse du PIB en 1996 (+3,7 %) intervient après quatre années de croissance ralentie. Cette accélération provient, en fait, essentiellement des bons résultats de la fin 1995 et du premier trimestre de 1996. En outre, elle repose exclusivement sur la progression de la demande intérieure, la contribution du solde extérieur ayant encore été fortement négative.

En Europe, la croissance économique a été nettement inférieure à celle enregistrée en moyenne par les pays industrialisés, puisque le PIB n'a progressé que de 1,5 % l'an dernier pour l'ensemble de la zone. Un raffermissement de l'activité est cependant intervenu à partir du printemps, comme l'illustre l'amélioration sensible du climat économique et des perspectives de production dans les enquêtes de conjoncture. En outre, même si de nombreux facteurs structurels (intégration par les échanges, structure d'organisation des grands groupes industriels) et une certaine convergence des politiques économiques rendent aujourd'hui pertinente l'idée d'un cycle économique européen de référence, un certain nombre de spécificités nationales continuent à subsister. Quelques pays, notamment le Royaume-Uni, les Pays-Bas et l'Espagne, ont ainsi enregistré une hausse du PIB sensiblement supérieure à celle observée en moyenne sur le Vieux Continent. D'autres -Italie, Suisse-, en proie à des ajustements structurels, n'ont pas encore véritablement renoué avec la croissance.

¹ OCDE hors Corée du Sud, Hongrie, Mexique, Pologne et République tchèque.

La croissance économique des pays en développement est restée soutenue, mais un ralentissement est intervenu en Asie et en Europe de l'Est.

La hausse du PIB des pays en développement, de l'ordre de 6 % selon le Fonds Monétaire International, est restée l'an dernier nettement supérieure en moyenne à celle observée dans les pays industrialisés.

Cependant, la croissance s'est quelque peu modérée en Asie. Par exemple, la hausse du PIB en Corée du Sud est revenue de 9 % en 1995 à 7,1 % en 1996. Si ce ralentissement a mis en lumière certaines fragilités structurelles des économies asiatiques, en particulier en ce qui concerne le secteur bancaire et financier, il revêt pour partie un caractère conjoncturel. Il reflète notamment les effets différés du resserrement des politiques monétaires dans certains pays à la fin de 1995 ainsi que la détérioration des performances du secteur extérieur, imputable à une perte de compétitivité vis-à-vis des exportateurs japonais et à la contraction de la demande mondiale de semi-conducteurs. Mais la reprise du marché américain de matériel informatique s'est traduite par un rebond des exportations de la zone au quatrième trimestre de 1996, même si les performances restent contrastées selon les pays. Par ailleurs, face au ralentissement de l'activité domestique, les conditions monétaires se sont progressivement détendues en cours d'année.

A l'inverse, les pays latino-américains, après avoir surmonté les effets de la crise financière ayant affecté certains pays de la zone, ont retrouvé des rythmes de croissance plus soutenus l'an dernier. C'est notamment le cas du Mexique, dont le PIB a progressé d'environ 5 %.

En Europe de l'Est, les situations restent très contrastées selon les pays. En Russie, après l'élection présidentielle, l'amorce d'un redressement économique reste suspendue aux incertitudes politiques et à leurs conséquences pour la politique économique. S'agissant de la stabilisation des prix, d'indéniables progrès ont été réalisés. En revanche, le PIB s'est encore contracté de 6 % l'an dernier. Malgré quelques informations récentes plus optimistes, les signes de redressement sont encore trop ténus pour indiquer véritablement un retournement de tendance. Pour un certain nombre de pays d'Europe centrale et orientale (Pologne, République tchèque), la progression du PIB est demeurée relativement soutenue en dépit du ralentissement des exportations vers l'Union européenne. La demande intérieure est restée bien orientée, notamment grâce à la progression des salaires réels. Pour d'autres pays, les performances ont été plus modestes, voire se sont franchement dégradées (cas de la Bulgarie).

La croissance du commerce mondial s'est sensiblement affaiblie en moyenne annuelle, mais une accélération est intervenue en cours d'année

Selon les estimations du Groupe de travail, la progression du commerce mondial, en volume, se serait établie à 5,7 % en 1996², contre 8 % l'année précédente³. Malgré ce ralentissement, la progression des échanges internationaux est restée plus vive que celle de la production, même si l'écart s'est quelque peu réduit par rapport à ce qui a été observé depuis le début des années 1990. Un certain nombre de facteurs structurels tels que l'expansion du trafic de perfectionnement ou le développement des échanges intra-groupe ont donc probablement continué à dynamiser les flux d'échanges⁴.

Graphique 1 Croissance en volume de la production et des exportations mondiales de marchandises

² Moyenne des estimations de la croissance des exportations et des importations mondiales.

³ Selon l'OMC, les exportations mondiales en volume n'auraient crû que de 4 % en 1996 (4,5 % pour les importations mondiales). Les différences d'évaluation avec le Groupe de travail s'expliquent surtout par une estimation différente du partage volume-prix pour certaines composantes des échanges (Etats-Unis, Europe de l'Est) et une divergence d'appréciation du ralentissement en Asie. Concernant ces deux points, les données actuellement disponibles sont encore trop fragmentaires pour qu'un chiffrage plus précis soit possible.

⁴ Dans certains pays, le trafic de perfectionnement est devenu prépondérant dans les échanges. Ce type de commerce représenterait 40 % des exportations mexicaines, 45 % des importations chinoises, plus de 60 % des exportations tunisiennes (source : OMC). Parallèlement, la part des échanges intra-groupe est devenue très importante : elle dépasserait 50 % dans le commerce de la France avec l'Union européenne (source : Ministère du commerce extérieur).

D'après les estimations encore tout à fait préliminaires publiées par l'OMC, la croissance des échanges de services commerciaux aurait également fortement décéléré, passant de +20 % en valeur en 1995 à seulement +5 % en 1996. Toutefois, en l'absence de l'existence d'un partage volume-prix, ce mouvement reste difficile à analyser. On peut tout juste observer que, contrairement à une idée largement répandue, la part des services dans les échanges mondiaux en valeur ne s'est pas significativement accrue depuis de nombreuses années. Elle reste stabilisée autour de 20 %. Toujours selon l'OMC, les échanges de transport ont enregistré une quasi-stagnation en 1996, en liaison avec la décélération des flux de marchandises, les voyages ont progressé à peu près au taux moyen alors que les autres services, en particulier les services financiers, restent la composante la plus dynamique.

Derrière le tassement en moyenne annuelle du rythme de croissance du commerce mondial de marchandises, se cache en fait une accélération en cours d'année. Le glissement annuel serait ainsi passé de 4 % au deuxième trimestre de 1996 à 7 % au quatrième⁵.

Cette accélération est notamment imputable au raffermissement des échanges intra-européens, celui-ci ne reposant cependant que sur certains pays. Si une reprise des importations allemandes s'est dessinée à partir du printemps 1996, les achats italiens, freinés par l'atonie de la demande intérieure, se sont inscrits en recul sur la première partie de l'année, avant de se stabiliser à bas niveau au second semestre, et ce malgré l'appréciation de la lire. La progression la plus marquée a été le fait du Royaume-Uni (+7,8 %), sous l'effet de la vigueur de la consommation des ménages et de l'appréciation de la livre. En raison d'un faible acquis début 1996, la croissance des importations des pays d'Europe occidentale est néanmoins restée nettement inférieure à celle du commerce mondial (+3,5 % en moyenne). De leur côté, les importations américaines ont enregistré une croissance soutenue tout au long de l'année, conduisant à une hausse moyenne supérieure à 7 % en volume. En revanche, pénalisées par la forte dépréciation du yen, les importations japonaises plafonnent depuis maintenant plus d'un an. Leur progression a ainsi été extrêmement modeste l'an dernier (+1,5 % moyenne).

⁵ Estimation établie à partir de l'indicateur de demande mondiale d'importation du COE.

Graphique 2 Demande mondiale d'importation (indicateur COE)

Graphique 3 Importations en volume des pays de l'OCDE

Graphique 4 Importations en volume des pays de l'Union européenne

Les importations des pays en développement ont, une nouvelle fois, contribué de manière significative à la hausse globale des échanges internationaux, avec une progression d'ensemble approchant 9 % en volume. Toutefois, cette augmentation s'inscrit sensiblement en retrait par rapport à celle de 1995 (+13 %). Cette décélération s'explique surtout par le ralentissement du commerce des pays d'Asie en développement. Selon l'OMC, le volume des importations des Nouveaux pays industrialisés d'Asie (Hongkong, Malaisie, Corée du Sud, Singapour, Taïwan, Thaïlande), qui avait augmenté de 15,5 % en 1995, n'aurait progressé que de 4 % l'an dernier⁶. En outre, les achats extra-régionaux ont probablement davantage pâti de ce mouvement⁷. A l'inverse, les importations des pays d'Europe de l'Est⁸ ont encore été très dynamiques l'an dernier, soutenues notamment par la croissance de la demande intérieure. Dans le même temps, les exportations de ces pays se sont ralenties en liaison avec une atténuation de la demande en Europe occidentale. Elles ont aussi pâti d'une érosion de la compétitivité-prix que l'on peut attribuer à une forte progression des salaires réels et à une surévaluation du change de certaines monnaies. Il en est résulté une nouvelle détérioration de leur balance commerciale. Les importations des pays

⁶ Cette estimation est sans doute un peu basse.

⁷ Les exportations en volume des principaux pays exportateurs de l'OCDE (Etats-Unis, Japon, Allemagne, France, Royaume-Uni, Italie) vers les "Quatre Dragons" n'ont augmenté que de 2,5 % en 1996 et de 5 % vers les autres pays d'Asie en développement (estimation COE).

⁸ Pour une analyse détaillée, cf. annexe 2.

d'Amérique latine se sont nettement redressées l'an dernier, ce qui reflète la reprise de l'activité intervenue dans la zone. Ce mouvement a surtout été vérifié pour l'Argentine et le Mexique, alors qu'au contraire la croissance des importations brésiliennes s'est affaiblie. Grâce à la fermeté des prix du pétrole, les achats des pays de l'OPEP ont renoué avec une tendance ascendante.

Les évolutions de change ont fortement influé sur les prix des échanges et les positions concurrentielles.

Les mouvements de change ont tout d'abord affecté les prix à l'importation. En raison de la forte baisse du yen (- 13,5 % en moyenne annuelle en 1996 contre dollar), les prix à l'importation ont enregistré une hausse spectaculaire. A l'inverse, l'appréciation du dollar a contribué à modérer la hausse des prix à l'importation américains. De même, les prix des achats à l'étranger de l'Italie sont quasiment restés stables. Suite à l'appréciation de la livre, les prix à l'importation britannique ont reculé fin 1996.

Graphique 5 Prix à l'importation

Naturellement, les fluctuations monétaires ont aussi influencé les positions concurrentielles des principaux exportateurs mondiaux. Les mouvements de change ont toutefois été, dans certains pays, absorbés en partie par des comportements de marge. Ainsi, les exportateurs nippons ont pu desserrer leurs marges, alors qu'ils avaient été contraints de les comprimer depuis plusieurs années en raison de la hausse du yen. Les prix à l'exportation japonais se ainsi accrus de plus de 6 %, ce qui n'a toutefois pas empêché une amélioration de la compétitivité-prix des produits de l'Archipel. C'est également le cas pour les produits allemands. A l'inverse, les industriels italiens ont dû adopter

un comportement plus restrictif courant 1996. Les prix relatifs italiens à l'exportation se sont néanmoins accrus de plus de 10 % vis-à-vis de leurs concurrents. De même, la compétitivité-prix des produits britanniques s'est sensiblement dégradée.

Les évolutions de parts de marché s'inscrivent, en règle générale, dans la lignée des évolutions des prix relatifs. Les exportateurs italiens ont ainsi enregistré un net tassement de leurs performances, avec un recul de 2% de leurs ventes alors que leur marché à l'exportation progressait de 6 %. Par contre, les exportateurs allemands auraient commencé à regagner une partie du terrain perdu antérieurement. De même, les exportateurs américains n'auraient pas encore souffert de l'appréciation de près de 4 % du taux de change effectif du dollar. De leur côté, les exportateurs japonais auraient encore perdu d'importantes parts de marché en moyenne, malgré l'amorce d'une stabilisation en cours d'année.

Compte tenu des délais usuels, les mouvements de change intervenus l'an dernier et début 1997 continueront à avoir un impact sur les échanges au cours des deux prochaines années.

II Perspectives 1997-1998

II.1 Les principales hypothèses

Selon les hypothèses du Groupe de travail, la croissance du PIB des pays industrialisés atteindrait 2,3 % en 1997 puis 2,5 % en 1998. Le ralentissement progressif de l'économie américaine serait compensé par la consolidation de la reprise européenne alors que l'économie japonaise, qui pâtirait cette année de l'ajustement des finances publiques, ne renouerait avec une croissance soutenue qu'en 1998.

Aux Etats-Unis, la remontée des taux d'intérêt, même si elle reste d'une ampleur limitée, l'appréciation du dollar et l'arrivée à maturité du cycle de certaines composantes de la croissance conduiraient à un ralentissement progressif de l'activité. Celui-ci resterait cependant modéré, de sorte qu'en moyenne annuelle le PIB progresserait de 2,5 % en 1997 puis de 2 % en 1998.

Au Japon, compte tenu d'un faible acquis en début d'année, de l'impossibilité d'une relance budgétaire et d'une hausse des prélèvements obligatoires susceptible de peser sur la consommation des ménages, le PIB n'augmenterait que de 2 % en 1997. En 1998, l'économie japonaise retrouverait un rythme de croissance plus soutenu (+3 %), reposant à la fois sur la demande interne privée et sur la demande extérieure. En Europe, plusieurs facteurs sont désormais réunis pour que la reprise de l'activité, qui s'est amorcée au printemps 1996, gagne en intensité. La fermeté du dollar restaurerait

la position concurrentielle des exportateurs européens et la détente passée des conditions monétaires stimulerait les demandes internes.

Dans ce contexte, le prix des matières premières industrielles se raffermirait courant 1997. Compte tenu d'un acquis négatif en début d'année, l'indice HWWA accuserait encore un léger recul en moyenne annuelle (-1 %). En 1998, il augmenterait de 4 %⁹. En revanche, l'abondance de l'offre sur le marché du pétrole, en raison de l'accroissement de la production des pays non membres de l'OPEP et du retour de l'Irak, exercerait un effet dépressif sur les prix.

Les hypothèses retenues en matière de taux de change par le Groupe de travail sont largement conventionnelles. Elles consistent à considérer que la parité dollar-deutschemark serait stable par rapport au niveau atteint à la date de la prévision, soit environ 1,70 DM/US. Par ailleurs, la reconstitution des excédents commerciaux japonais pourrait conduire à une nouvelle appréciation du yen contre le dollar.

Tableau II.1 Principales hypothèses

	1996	1997	1998
	Taux de variation annuel		
PIB en volume			
OCDE	2.3	2.3	2.5
OCDE Europe	1.6	2.5	2.75
Etats-Unis	2.4	2.5	2.0
Japon	3.6	2.0	3.0
Prix des matières premières non énergétiques	-7.5	-1.0	4.0
	Niveau moyen de l'année		
Prix du pétrole (\$/baril)	20.5	19.5	18.5
Taux de change DM/Dollar	1.51	1.70	1.70
Taux de change Yen/Dollar	109	124	120
Taux de change Dollar canadien/Dollar	1.36	1.36	1.36

II.2 Les perspectives du commerce mondial en 1997-1998

Sous les hypothèses formulées précédemment, et dans le prolongement de l'accélération observée courant 1996, la progression du commerce mondial s'établirait un peu au-dessus de 7% en 1997, puis légèrement en-deçà de 7,5 % en 1998.

⁹ Ces estimations sont équivalentes aux hypothèses retenues par le Groupe matières premières.

La croissance des importations des pays d'Europe occidentale connaîtrait une progression nettement plus soutenue que l'an dernier (+5,5 % en 1997, soit deux points de plus qu'en 1996, puis +5,9 % en 1998). Ce mouvement concernerait la quasi-totalité des pays du Vieux Continent, avec toutefois des intensités différentes. Le Royaume-Uni ferait exception en enregistrant une décélération de ses importations, ce qui confirmerait la persistance d'un certain décalage entre la conjoncture britannique et le cycle continental.

Les importations américaines continueraient à connaître une croissance soutenue, de l'ordre de 7 % en 1997, même si un léger fléchissement interviendrait l'an prochain (+6 %). Progressivement stimulées par un regain de dynamisme de la demande intérieure privée, les importations japonaises seraient plus vigoureuses, d'autant que les effets de la dépréciation du yen s'estomperaient peu à peu. Les prix à l'importation japonais augmenteraient en effet de 6 % en 1997, ce qui reflèterait surtout un fort acquis en début d'année, puis seraient stables en 1998.

Les importations des pays en voie de développement progresseraient d'environ 9 % au cours des deux années. Sous l'effet d'un environnement conjoncturel plus favorable, la croissance économique des pays d'Asie en développement s'accélérait légèrement, ce qui se traduirait par une intensification des flux d'importations. De même, les perspectives de croissance devraient se consolider en Amérique latine. En revanche, les pays de l'OPEP limiteraient progressivement leurs achats en raison de l'affaiblissement des recettes pétrolières. Leurs importations progresseraient encore de 7 % en 1997, mais seulement de 3 % en 1998. Dans le même temps, les achats des pays d'Europe de l'Est ralentiraient quelque peu. Le niveau atteint par les déficits commerciaux dans certains pays constituerait en effet un frein à un développement plus soutenu des achats à l'étranger.

Sous l'effet du raffermissement des échanges intra-européens, les exportations en volume des pays d'Europe occidentale progresseraient de 6,4 % en 1997, soit près de deux points de mieux qu'en 1996. Elles enregistreraient une hausse du même ordre en 1998. En outre, les évolutions seraient assez homogènes entre les pays. Globalement, les parts de marché se stabiliseraient. Des gains seraient obtenus par les exportateurs allemands alors que les entreprises italiennes subiraient encore des pertes, ce qui cache néanmoins un profil plutôt favorable compte tenu de l'acquis négatif observé début 1997. Parmi les pays européens, le Royaume-Uni serait le seul dont le taux de croissance des exportations serait inférieur cette année à celui enregistré en 1996, ce qui traduirait d'ailleurs un recul des parts de marché, que l'on peut largement attribuer à la dégradation de la compétitivité-prix des produits britanniques.

Malgré l'appréciation du dollar, les entreprises américaines n'enregistreraient pas de détérioration marquée de leurs performances à l'exportation. On peut invoquer deux raisons à cela. D'une part, pour deux des principaux marchés américains, le Canada et le Mexique, les mouvements de change ont peu d'impact sur les flux bilatéraux d'échanges en raison d'un certain nombre de caractéristiques structurelles liées au mode de développement international des groupes américains. D'autre part, le dollar reste une monnaie de facturation prépondérante dans les échanges mondiaux, à la fois pour certaines zones géographiques (pays en développement, par exemple) et pour certains secteurs (aéronautique), de sorte que les fluctuations du dollar se répercutent davantage sur la rentabilité des exportations américaines que sur les performances en volume, tout au moins à court terme. En revanche, la forte dépréciation du yen finirait par permettre aux exportateurs japonais de regagner des parts de marché. Ces gains seraient toutefois loin d'effacer les pertes antérieures.

Le raffermissement des importations ouest-européennes stimulerait également les ventes des pays d'Europe de l'Est. Ils ne gagneraient toutefois pas de parts de marché, ce qui signifie que leur pénétration des marchés occidentaux ne s'accroîtrait pas. De leur côté, les ventes des pays en développement connaîtraient une légère accélération, enregistrant une progression supérieure à la moyenne mondiale.

Tout cela interviendrait dans le cadre d'une hausse extrêmement modérée du prix des échanges, qui reflète à la fois l'absence de fortes tensions inflationnistes au plan mondial, une concurrence internationale toujours vive et les effets de l'appréciation du dollar, lorsque les évolutions sont exprimées dans cette monnaie.

Enfin, compte tenu du rythme de croissance envisagé des échanges, peu de progrès seraient accomplis en ce qui concerne le rééquilibrage des balances commerciales, notamment entre les différentes composantes de la Triade. Le déficit commercial américain resterait proche de 160 milliards de dollars. Il n'enregistrerait qu'une diminution marginale en 1998. En revanche, l'excédent commercial japonais pourrait de nouveau s'élargir. De même, dans le cadre des hypothèses retenues ici, les pays d'Europe occidentale continueraient à dégager globalement un large excédent commercial.

Tableau II.2 Principaux résultats

	1996	1997	1998
	Taux de variation annuel		
Exportations mondiales en volume, dont:	5.5	7.3	7.5
- Etats-Unis	8.7	8.0	8.0
- Japon	-0.3	9.0	9.0
- Europe de l'Quest	4.6	6.4	6.3
- Non OCDE	7.3	8.0	8.9
Importations mondiales en volume, dont:	5.9	7.0	7.2
- Etats-Unis	7.2	7.0	6.0
- Japon	1.6	4.0	7.0
- Europe de l'Quest	3.5	5.5	5.9
- Non OCDE	8.8	9.0	9.1
Valeurs unitaires à l'exportation, dont:	2.5	0.8	1.4
- Etats-Unis	-1.7	-2.0	0.0
- Japon	6.6	2.0	0.0
- Europe de l'Quest	1.1	1.5	1.8
- Non OCDE	5.2	0.7	2.0
Valeurs unitaires à l'importation, dont:	2.4	1.1	2.0
- Etats-Unis	-0.9	-1.0	0.0
- Japon	16.6	6.0	0.0
- Europe de l'Quest	1.1	1.9	1.8
- Non OCDE	3.8	0.6	3.6

II.3 Eléments de comparaison avec la projection réalisée à partir du modèle CITRA¹⁰

D'une manière générale, les écarts entre les prévisions du Groupe de travail et les résultats de la simulation effectuée avec le modèle CITRA sont relativement modestes. Selon l'exercice réalisé avec le modèle, la croissance du commerce mondial en volume s'établirait à 7,2 % en 1997 et 1998. Cela signifie que la croissance des exportations mondiales en 1998 est peut-être légèrement surestimée par le Groupe de travail, ce qui pourrait s'expliquer par une vision un peu optimiste de la progression des ventes des pays en développement (hors OPEP et Europe de l'Est). En revanche, les hypothèses des instituts membres de l'AIECE paraissent dans l'ensemble tout à fait cohérentes,

¹⁰ Modèle de simulation de l'évolution des échanges internationaux construit par le CPB, qui consiste à harmoniser les flux mondiaux d'exportations et d'importations dans un cadre comptable cohérent.

les différences entre les estimations intégrées par le Groupe de travail et les résultats de la simulation étant quasiment nulles. Quelques écarts significatifs apparaissent néanmoins par pays, notamment du côté des exportations en volume : les perspectives du Groupe de travail seraient trop optimistes pour le Royaume-Uni et trop pessimistes pour la Suisse et le Danemark.

S'agissant des valeurs unitaires, les évolutions pourraient être encore plus modérées que celles envisagées par le Groupe de travail.

Tableau II.3 Ecarts variantiels entre la simulation réalisée avec le modèle CITRA et les hypothèses de Groupe de travail¹ (évalués en points de croissance). Quelques résultats significatifs

	1997	1998
Exportations en volume		
Monde	-0.1	-0.4
Europe de l'Quest	0.0	0.0
Danemark	5.0	5.3
Suisse	6.3	4.2
Royaume-Uni	-2.7	-1.3
Non OCDE	-0.7	-1.0
Importations en volume monde	0.2	-0.1
Valeurs unitaires à l'importation monde	-1.0	-0.8
Valeurs unitaires à l'exportation monde	-0.3	-0.5

¹ Sur la base des hypothèses des instituts membres de l'AIECE

Annexe 1*Tableaux de synthèses**Remarque technique*

Ces tableaux sont préparés sur la base des informations fournies par les instituts membres pour leur propre pays et d'après les estimations du Groupe de travail, qui s'est réuni les 3 et 4 avril 1997. Selon la pratique propre à chaque institut, les évaluations des taux de change sont, soit une pure hypothèse technique (fixité à partir de la date de réalisation des prévisions), soit une véritable prévision. Les taux de change des monnaies européennes par rapport au dollar sont déterminés par la parité DM/\$ retenue par le Groupe et par les prévisions de change de chaque institut vis-à-vis du DM.

Annexe 2

Working Group estimates on trade of Eastern European countries by Zoltán Ákos Kovács (KOPINT, Budapest)

I Methodological note

Source of data

AIECE Working Group on Foreign Trade (WG) is regularly making estimates and forecasts on foreign trade of the Eastern European countries. The WG is striving for continuous improvement of the quality of information on which its estimates on the actual trade performance of the Eastern European countries are made. The source of data is of various kind. In our recent estimates as background information we have intensively used trade value figures from the Vienna Institute (WIIW) data bank as is made public in the Institute's monthly reports. For countries (i.e. the Baltic Republics, Ukraine) on which no data from the WIIW are available we have applied figures from OECD statistics (see OECD Short-term Economic Indicators, Transition Economies) or press sources which cite figures from national statistics (see e.g. Business Central Europe, New Europe). Furthermore, for Hungary and Poland we have used up to date figures directly from WG member institutes.

WG estimates and forecasts

Based on the commodity structure of trade (i.e. manufactures, fuels, other raw materials) of the Eastern European countries (we have taken the last available year, for most countries 1995) as well as its own forecast on world trade prices, the WG has calculated export/import prices and volume figures for all countries. We have also calculated weighted average figures (using recent export and import values as weights) for volumes and prices for two regional groups of countries (i.e. Central and Eastern Europe, and the former Soviet Union) for the past year as well as figures for total Eastern Europe. As a response to the challenges of our age brought about by the break up of the former Soviet Union and as a result of availability of data beside extra trade, we have also taken into account intra regional (CIS) trade. This is a new step forward compared to previous years. In our estimates no figures for Albania, the former Yugoslavia (other than Croatia and Slovenia), several newly independent republics of the former Soviet Union (other than Russia, Ukraine and the Baltic States) have been incorporated, although their weights in total trade of the country groups are relatively small.

Reliability of data

The reliability of foreign trade figures of the Central and Eastern European countries has considerably improved in recent years. It is not true, however, for most countries of the former Soviet Union, for which sometimes very different figures are made public. In this country group the degree of underrecording is also estimated to be still very high compared to the Central and Eastern European countries in general. Further problems have also risen in the system of foreign trade recording in some countries. For instance, in Poland the so-called unregistered cross border trade has reached high importance and is estimated to have amounted to several billions of dollars. It is not incorporated in customs based trade but in balance of payments statistics. Hungary at the same time has recently moved to a new system of trade recording. Beside the customs data exports and imports of the customs-free zones are also incorporated in total trade figures of Hungary. It is explained by growing importance of the customs-free zones, which already represent close to 15% of total trade.

II Recent trade trends

In 1996 the growth of exports slowed down in all Eastern European countries, in some cases considerably. Some countries (e.g. Bulgaria, Slovenia, Croatia) suffered a decrease in exports compared to the previous year. Only in a few countries, namely Russia and Lithuania, the rate of growth of exports exceeded that of imports. Russia and Bulgaria had trade surpluses in 1996, however, only in the former country it reached a significant amount of several billions of dollars. In Bulgaria trade surplus was achieved while both exports and imports fell sharply. Contrary to these few exceptions, as a general trend in the region imports increased at much higher pace than exports (See Table 1). As a consequence most countries suffered from growing trade imbalances. Trade deficit reached a level equal to 52% of exports in Poland (if non registered cross border trade of an estimated 6-8 billion dollars is excluded), 27% in the Czech Republic, 24% in Slovakia and 23% in Hungary. All three Baltic states had trade deficits near to or over 30% of exports. Preliminary figures for the Ukraine indicate that this country's trade balance moved to deficit last year, in contrast to previous years results.

In general domestic demand growth stood behind steady import trends in most Central and Eastern European countries. The majority of countries (except those in the former Soviet Union) have already stepped upon a growth trend in recent years following sharp reduction in output in the early 1990s. On the other hand, exports were depressed by real appreciation of most national currencies, slackening demand in the main markets (primarily in Western Europe), while real wage growth negatively

influenced their export competitiveness, even though wages in these countries still represent only a portion of average wages in industrialised countries, etc.

All in all, Central and Eastern European countries (CEEC8) recorded an estimated export volume growth of close to 4% in 1996, while countries of the former Soviet Union (FSU5) almost 5%. The weighted average volume growth was almost 4.5%. On the import side, CEEC8 experienced volume growth near 14%, while FSU5 close to 12%. The weighted average growth of imports for the region as a whole is estimated to have been 13%.

It should be underlined here that our trade estimates include also intra CIS trade of the former Soviet Union. Separate figures for Russia show us that intra and extra CIS trade followed different growth paths last year. Imports from within the CIS countries expanded while imports from outside the region is most likely to have fallen. That is why our figures for imports of the Eastern European countries in general, and the former Soviet Union in particular are much higher than is indicated by recent OECD and EU calculations.

Table 1 Foreign trade of Eastern European countries

Countries	1995		1996		Trade balance		1996/1995	
	USD Mn		USD Mn		USD Mn		%	
	Export	Import	Export	Import	1995	1996	Export	Import
Czech Republic ^a	21 686	25 306	21 921	27 824	-3 620	-5 903	1,1	10,0
Poland ^{a,b}	22 895	29 069	24 350	36 940	-6 174	-12 590	6,4	27,1
Hungary I. ^c	12 867	15 466	13 145	16 209	-2 599	-3 064	2,2	4,8
Hungary II. ^c	14 492	16 778	15 954	18 613	-2 286	-2 659	10,1	10,9
Slovakia ^a	8 588	8 780	8 798	10 889	-192	-2 091	2,4	24,0
Slovenia ^a	8 285	9 431	7 919	9 324	-1 146	-1 405	-4,4	-1,1
CEFTA5	75 946	89 364	78 942	103 590	-13 418	-26 648	4,1	16,7
Bulgaria (9 m.) ^{d,a}	5 100	5 100	3 263		0	549	-36,0	-46,8
Croatia ^a	4 633	7 510	4 512	2 714	-2 877	-3 276	- 2,6	3,7
Romania ^{a*}	7 519	9 410	7 660	9 970	-1 891	-2 310	1,9	6,0
Russia ^a	81 141	60 917	86 431	63 475	20 224	22 956	6,5	4,2
Ukraine (9 m) ^e	7 957	7 855	9 063	10 279	103	-1 216	13,9	30,9
Estonia ^{e,d}	1,8	2,5	2,0		-0,7	-1,2	8,3	26,0
Latvia (9 m) ^e	0,9	1,2	1,1	3,2	-0,3	-0,6	11,3	..
Lithuania (11 m) ^d	2,4	3,3	3,0	1,6	-0,9	-0,9	25,0	18,2

Note: Data for the Baltic states are in USD billion. Data for Latvia is on fob-fob basis in 1995 and fob-cif in 1996. Figures for countries of the former Soviet Union are for total trade including intra CIS. Hungary II = Trade including that of customs-free zones.

Source: a) WIIW Monthly Report 2/1997 b) New Europe, March 2-8,1997 c) Kopint-Datorg data base d) Business Central Europe, March 1997 e) OECD Short-term Economic Indicators, Transition Economies 1/1997, own calculation

Table 2 Commodity structure of trade in Eastern European countries (% of total trade)

	<i>EXPORT</i>			<i>IMPORT</i>			<i>Year</i>
	<i>Fuels</i>	<i>Raw materials</i>	<i>Manufactures</i>	<i>Fuels</i>	<i>Raw materi- als</i>	<i>Manufactures</i>	
Czech R.	4.5	10	85.5	8.7	10.5	80.8	1996
Hungary	4.1	23.6	72.3	13.5	9	77.5	1996
Poland	8.2	14.6	77.2	9.1	14.8	76.1	1995
Slovakia	4.2	11	84.8	17.9	13.9	68.2	1995
Slovenia	1	6	93	6.5	14.3	79.2	1995
CEEC5							
Bulgaria	7.1	25.6	67.3	28.3	15.7	56	1994
Romania	8.3	10.4	81.3	22.4	14	63.6	1995
Croatia	8.4	16	75.6	11.6	14.2	74.2	1995
CEEC8	5.7	14.4	79.9	11.8	12.8	75.4	
Russia	34	14	52	3	35	62	1995
Ukraine	5	23	72	44	17	39	1995
Estonia	6.5	32	61.5	11	20	69	1995
Latvia	1.8	30.2	68	28.8	11.9	59.3	1995
Lituania	13.4	30.5	56.1	24.1	19	56.9	1995
Ex SU*	29	16.1	54.8	11.4	30.3	58.3	
All	17.8	15.4	66.8	11.6	20	68.4	
CEEC							

Note: *) Data on countries of the former Soviet Union are estimates.

Source: WIIW Handbook of Statistics, Countries in Transition, 1996 and national statistics

Table 3 *Calculated export and import price indices for Eastern European countries
(in current US dollar terms, previous year = 100)*

	1996		1997		1998	
	Export prices	Import prices	Export prices	Import prices	Export prices	Import prices
Czech R.	0.979	0.989	1.007	1.002	1.019	1.019
Hungary	0.970	1.001	1.004	0.997	1.018	1.018
Poland	0.985	0.987	1.002	1.001	1.018	1.018
Slovakia	0.978	1.009	1.007	0.991	1.019	1.018
Slovenia	0.974	0.982	1.012	1.004	1.020	1.019
CEEC5						
Bulgaria	0.976	1.032	1.000	0.979	1.018	1.016
Romania	0.988	1.019	1.003	0.986	1.019	1.017
Croatia	0.985	0.994	1.001	0.998	1.018	1.018
CEEC8	0.980	0.995	1.005	0.998	1.019	1.018
Russia	1.046	0.961	0.972	1.003	1.016	1.018
Ukraine	0.973	1.068	1.004	0.960	1.018	1.015
Estonia	0.971	0.989	1.000	0.997	1.018	1.018
Latvia	0.961	1.035	1.005	0.979	1.018	1.017
Lituania	0.988	1.020	0.992	0.983	1.017	1.017
Ex SU	1.033	0.983	0.978	0.994	1.016	1.017
All CEEC	1.007	0.990	0.991	0.996	1.017	1.018

Source: Kopint-Datorg own calculation

Table 4 *Calculated volume growth in Eastern European countries in 1996*

	Export	Import
Czech R.	1.032	1.112
Hungary	1.135	1.108
Poland	1.080	1.287
Slovakia	1.047	1.229
Slovenia	0.982	1.008
CEEC5	1.064	1.177
Bulgaria	0.656	0.516
Romania	1.031	1.040
Croatia	0.989	1.044
CEEC8	1.038	1.138
Russia	1.018	1.085
Ukraine	1.171	1.226
Estonia	1.116	1.274
Latvia	1.158	1.159
Lituania	1.265	1.159
Ex SU	1.047	1.119
All CEEC	1.043	1.130

Source: See Table 3.

Annexe 3

Export performance of Hungary, Poland and the Czech Republic since 1991.

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In this section some indicators will be presented to evaluate the export performance of Hungary, Poland and the Czech Republic in the years of transition¹¹. The first indicator used is *export market growth*, defined as the weighted average growth of world imports of total goods, weighted with the export shares of the previous year for the country in question. Thus, market growth is the growth in world demand that is relevant for that country. The *export performance* measures gains and losses of market share of an exporting country and is the difference between the volume growth of a country's export and of its market growth. The growth of export volume is highly dependent on the growth of export markets as well as on changes in price competitiveness, the latter defined as the change of a country's export price relative to the export price of its competitors. In the economies in transition also a third factor plays a crucial role, that is the actually low level of the export price in comparison with export prices of competitors.

Foreign trade of **Hungary** needed some time to recover after communism was abandoned. In 1991 the export volume decreased with 5%. The next year an increase with a mere ½% was achieved, while export markets grew by more than 4%. In 1993 the export volume dropped by 8%, implying a substantial loss of market share. There are several reasons for that. A recession depressed demand in Western Europe, Hungary's main export market, and demand for Hungarian products appeared particularly low. The weak performance was also influenced by several years of bad harvests, which caused a severe drop of agricultural exports. The fact that export price increased more than those of its competitors (especially in other transition countries) may have contributed to the poor performance. In 1994 foreign trade revived vigorously, with export volume growing by 17% , which is double the rate of export market growth. The next year a strong rise of the export price weakened Hungarian competitiveness, and no more market gains could be realized. But with 8% the export growth was still substantial. According to available data of the first nine month of 1996 the pace of growth of exports continue to slacken. The average rate of increase in 1996 will be around 6%. The rate of growth of export markets was about 3½%, implying market gains amounting to 2½% according to official statistic. One must

¹¹ Quarterly data are available in: "Short term Economic indicators transition economies", Centre for Co-operation with Economies in Transition, OECD, Paris. First year of dataset is 1990.

note however that if trade of customs-free zones were included, last year's export growth can be estimated at about 14% and market gains at 10%.

In **Poland** the revival of economic growth started within two years after the start of the transition process, and was greatly helped by foreign demand. Exports of goods increased in volume by about 6% a year in 1992, but fell in 1993 with about 2%. The following two years showed a strong recovery, with annual growth rates of 17% to 18%. In the years 1992-1995 the relative export price position of Poland deteriorated much more than the price competitiveness of Hungary, still the export performance was less hurt. In its "Economic Survey of Europe of 1993-1994" the Economic Commission of Europe (ECE) suggests two reasons for the better performance of Poland: the lower level of production costs and the more flexible economic policy. An indication of the costs of production are the monthly earnings, which are summarized for a couple of transition countries in table 1. The table shows that average monthly earnings are much lower in Poland than in Hungary. This table also illustrates the low level of earnings in the transition area in comparison with Western Europe. In 1995 the average compensation per employee in the business sector in the EU-countries was about \$2900, and monthly earnings around \$2260. But of course also production per worker is much higher in Western Europe, so the difference in unit labor costs is much smaller.

Comparable information is not available, however.

Table 1. Monthly earnings in transition countries, 1991-1993.

	1991	1992	1993	1991/1992	1991/1993
	<i>levels in \$</i>			<i>annual percentage changes</i>	
Bulgaria	58	70	122	21	110
Czechoslovakia	128	163	235 ^a	27	84
Hungary	240	278	320	16	33
Poland	166	214	220	29	32
Romania	98	66	85	-33	-13

Source: 'Economic Survey of Europe in 1993-1994', Economic Commission for Europe, UN.

^a Monthly earnings of the Czech Republic.

The foreign trade statistics of the **Czech Republic** show a substantial jump in the export flows in 1993 caused by the inclusion of the trade with Slovakia, which is an independent republic since January 1st 1993. The Czech Republic's economy started to pick up slowly after a steep production fall in 1993. The growth of export volume in 1994 and 1995, by 2.5 and 7% respectively, was much smaller than in Hungary and

Poland, while market growth of all three countries was about 9 to 10%. Why the big loss of market share? There are a number of reasons. One may be the weakened industrial base, that hampered the export of industrial goods. A second factor is a loss of price competitiveness, due to an effective appreciation of the Czech currency amounting to 2% in 1994 and 7½% in 1995. Competitiveness deteriorated mainly against other countries in transition, causing a flight of part of OPT relations further east. A third factor may be the higher cost level of the Czech Republic. Finally, there is also a continuing decrease of exports to Slovakia, which has to do with the decoupling of both economies.

In figure 1 GDP growth is shown from 1980-1995. The quarterly development of exportmarkets, the relative exportprice and the effective exchange rate of Hungary, Poland and the Czech Republic are depicted in figure 2. A summary of the indicators is presented in annex I-III. The 1997 spring forecast of the AIECE for Hungary, Poland and the Czech Republic is included.

The competitiveness of the economies in transition.

Table 2 summarizes the competitor's weights in 1995 for exporters of Hungary, Poland, the Czech Republic, and those of The Netherlands, Germany and Italy. A common feature for all mentioned countries is that more than 50 percent of all competitors are from Western Europe. For the Netherlands and Italy that share is even more than 60%. Remarkably, the share of the transition economies as a competitor for Western European exporters is only 5%; the competitors weight of Hungary, Poland and the Czech Republic is less than 1% . At the same time for the transition countries no more than 9 to 10% of all competitors are from within that area. Western Europe is not only the biggest market, but also the largest competitor.

Given the competitor shares in table 2 one can conclude that for the transition countries Western Europe is not only the largest market, but also the main competitor. Actually, however, the products offered by the transition countries are not as close substitutes to Western products as the macro data suggest. A more detailed analysis may reveal that most export of the transition countries concerns product groups without heavy competition from Western European firms, or consists of products in a different, lower, product category. Price and quality differentials have indeed increased since the early 1990's.

Table 2 Competitors shares in 1995

	Hun- gary	Poland	Czech Rep.	Other - trans- ition coun- tries	Nether- lands	Ger- many	Italy
Competitors:	%						
Western Europe	55,8	56,9	56,2	51,2	61,5	54,4	66,5
Other industr. coun- tries	14,7	14,0	15,4	15,9	14,9	17,8	22,1
Transition economies	9,1	10,5	9,5	11,7	5,5	5,5	4,8
o w Hungary	1,0	0,9	0,6	0,5	0,4	0,3	0,4
Poland	1,6	1,9	0,9	1,2	0,7	0,7	0,7
Czech Republic	0,8	0,6	1,2	0,8	0,5	0,5	0,5
Developing countries	20,3	18,5	18,8	21,3	18,2	22,5	23,4
World	100	100	100	100	100	100	100

For Western Europe it is clear that the import penetration by the transition economies in recent years cannot be considered as a serious threat to exporters, apart from individual cases.

Annex I Export market growth and price competitiveness of Hungary, 1992-1998.

	1992	1993	1994	1995	1996	1997	1998
annual percentage change							
Export volume	½	-12½	17	8½	14	12	13½
Import volume	-7¾	22¼	14¾	-3¼	12½	13	14
Export price (nat curr.)	9	11	17	32½	16¾	21	9
Import price (nat curr.)	10	8½	14	31¼	18¾	19¾	9¼
Export market growth volume	4¼	1½	8	9½	3 ¼	6	6½
price of competitors	7	7½	17½	34	18¾	13	8
Export performance	-3½	-14	8	-1	10¼	5 ¾	6½
Relative export price	1¾	3¼	-¾	-1¼	-1¾	7	1
Dollar exchange rate	5½	16¼	14½	19½	21	20	7
Effective exchange rate of competitors	-7	-7¼	11	-19¾	-14¼	-10¼	-6
of suppliers	-7¾	-8½	-12½	-20¾	-13¾	-9¼	-5¾

Annex II Export market growth and price competitiveness of the Czech Republic, 1992-1998.

	1992	1993	1994	1995	1996	1997	1998
annual percentage change							
Export volume ^a	5¼	19	2½	7¼	5	1½	1½
Import volume	36¾	6¾	14¼	25¾	13½	8	5½
Export price (nat curr.)	1	2½	4	5½	4¾	5	4
Import price (nat curr.)	2	-1¼	½	2¾	3	6½	4
Export market growth volume	5¼	3¼	8¾	10	4	6	7
price of competitors	-3	-6¼	½	4	-¼	-6½	1
Export performance	-3½	16	-5½	-2½	1	-4½	-5
Relative export price	8	9¼	3½	-1½	5	12½	3
Dollar exchange rate	na	-3¼	-2	-7¾	2¼	-½	0
Effective exchange rate of competitors	na	na	2¼	2½	2	8½	¾
of suppliers	na	na	4½	4¼	1¾	9½	½

^a From 1993 trade with the Slovak Republic is included.

Annex III Exportmarket growth and price competitiveness of Poland, 1992-1995.

	1992	1993	1994	1995	1996	1997	1998
	annual percentage change						
Export volume	6	-2¼	18¼	17	9¼	12¼	13
Import volume	30	29½	13¼	22	29¾	27¼	20
Export price (nat curr.)	25½	31¾	27¾	23	10½	15¼	7½
Import price (nat curr)	5½	-7½	25¼	20½	9¾	15¼	7½
Export market growth							
volume	4½	1½	8¼	10	3¼	5½	6
price of competitors	32	22	29	20	9	9¼	8½
Export performance	1½	-4	9	6¼	5¾	6¼	6½
Relative export price	-4½	8¾	-1	2¾	1¼	5½	-1
Dollar exchange rate	44	33	25¼	6¼	11¼	16½	7
Effective exchange rate							
of competitors	-23¼	-18¼	-19½	-10¾	-7	-7¼	-5¾
of suppliers	-11¾	-19	-19½	-10¾	-7	-6½	-5½

Figure 1 *GDP-volume transition economies, indices 1989 = 100*

Figure 2 *Relative export price, export performance and effective exchange rate
transition economies, 1st quarter 1991 = 100*

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

– Working Group on Commodity Prices –

WORLD COMMODITY PRICES 1996–1998

Report presented to the AIECE Spring meeting
Venice, May 5-7, 1997
by Jörg-Volker Schrader
Kiel Institute of World Economics

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CPB	Netherlands Bureau for Economic Policy Analysis, The Hague
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ETLA	Research Institute of the Finnish Economy, Helsinki
FTRI	Foreign Trade Research Institute, Warsaw
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IFO	Institut für Wirtschaftsforschung, München
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IRES	Institut de Recherches Économiques et Sociales, Louvain-la-Neuve
IfW	Institut für Weltwirtschaft, Kiel

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I Price developments in the past six months

Prices of primary commodities dropped modestly in the first quarter of 1997 after having increased by 7% in the fourth quarter of 1996. However, this was mainly due to a decrease of the price for crude oil. Excluding crude oil, quotations showed a slight increase (2%).

Looking at the different commodity groups (Table I), the prices of energy raw materials in the fourth quarter increased more than expected due – among others – to very low oil stocks as a consequence of the long and hard winter 1995/96. During the first quarter 1997 oil prices fell back to before winter levels.

A considerable drop of prices for food and tropical beverages in the last quarter of 1996 has predominantly to be allocated to a fall in grain and oilseed quotations because of an unexpected pronounced recovery in the production of feed grains in the US. Whereas grain prices remained on the reduced level in the first quarter of 1997, prices of soybeans and coffee rose significantly because of unexpectedly tight supplies pushing the average to 7% above the previous quarter.

Table I September 1996 - forecasts and realizations

Commodity group	1996 IV		1997 I	
	Forecast	Actual	Forecast	Actual
	percentage change over previous period			
HWWA-total	3	7	-1	-5
Total, excl. crude oil	0	-2	1	2
Food and tropical beverages	-2	-9	-1	7
Industrial raw materials	2	1	2	2
– Agricultural raw materials	2	1	2	-3
– Non-ferrous metals	2	3	3	10
– Iron ore, scrap	0	-3	4	0
Energy raw materials	5	11	-2	-8

Industrial raw materials quotations changed little till the end of 1996 and developed differing tendencies for agricultural raw materials and non-ferrous metals. Whereas rubber, woodpulp and softwood quotations weakened temporary because of a sluggish demand, prices for major non-ferrous metals recovered more than expected because of a strengthened demand and rather low LME stocks.

II Price forecasts until end-1998

II.1 Assumptions

Economic growth in OECD countries gained momentum during 1996. Real GDP increased by an annual rate of more than 2%; that is the magnitude expected at the autumn forecast 1996 and significantly more than in 1995. Growth will accelerate slightly during 1997 and 1998 (Table II.1). The recovery is supported by low interest rates and by the rapid growth in less developed and newly industrialized countries and by growth rates of 4 to 5% in some Eastern European countries.

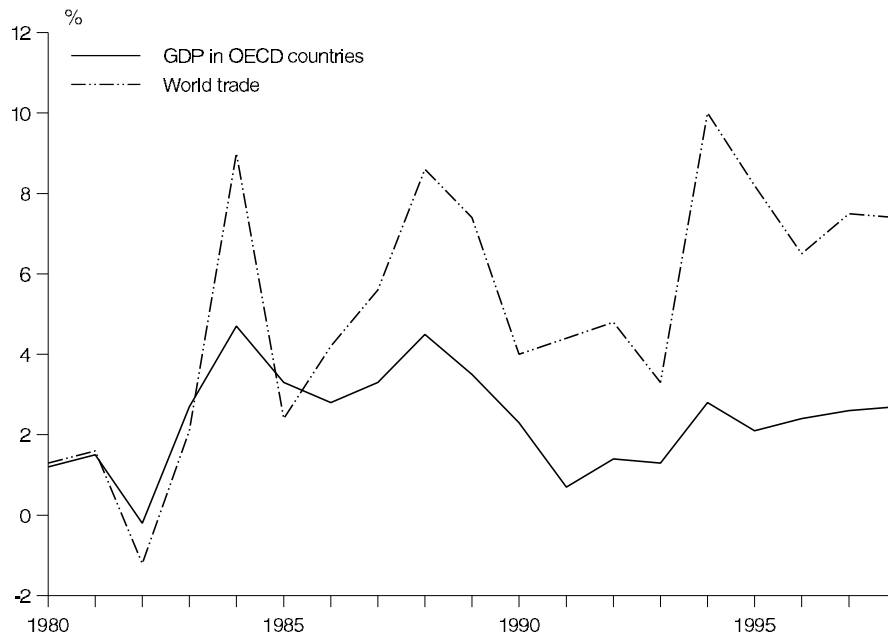
In the US the expansion will continue. In Japan financial policy will have restrictive effects in 1997 but this will dampen the recovery only temporary since other side conditions remain favorable, in particular the monetary policy. Growth of industrial production is expected to accelerate from 1½ (1996) to 3% in 1997 and 1998.

Table II.1 Framework assumptions, 1996–1998

	1996	1997	1998
	annual percentage changes		
OECD GDP volume	2.4	2.6	2.7
World trade volume	6.5	7.5	7.4
Export price of manufactures	-1.5	0.0	1.0
Exchange rate (DM/\$)	1.51	1.70	1.70

After a low increase of 6½% in 1996 world trade will expand with slightly higher rates during 1997 and 1998. Under the assumption that the DM/\$ rate will remain at the level of 1.70 reached in march 1997, the export prices of manufactured goods will change little during 1997 and 1998 after having fallen slightly in 1996.

Chart 1 *Volume growth of GDP in OECD countries and world trade*



II.2 Aggregate price developments

Prices of food and tropical beverages are expected to decrease during the forecasting period. Given a high elasticity of supply with respect to prices and – in a long-run comparison – still attractive prices for producers, supply of food commodities will surpass demand and allow for a slight replenishment of stocks, which are still very low. On the other hand coffee prices will fluctuate around a rather high price level reached in spring 1997 and start to decline only in 1998.

Table II.2 Forecasts: aggregates, 1997–1998

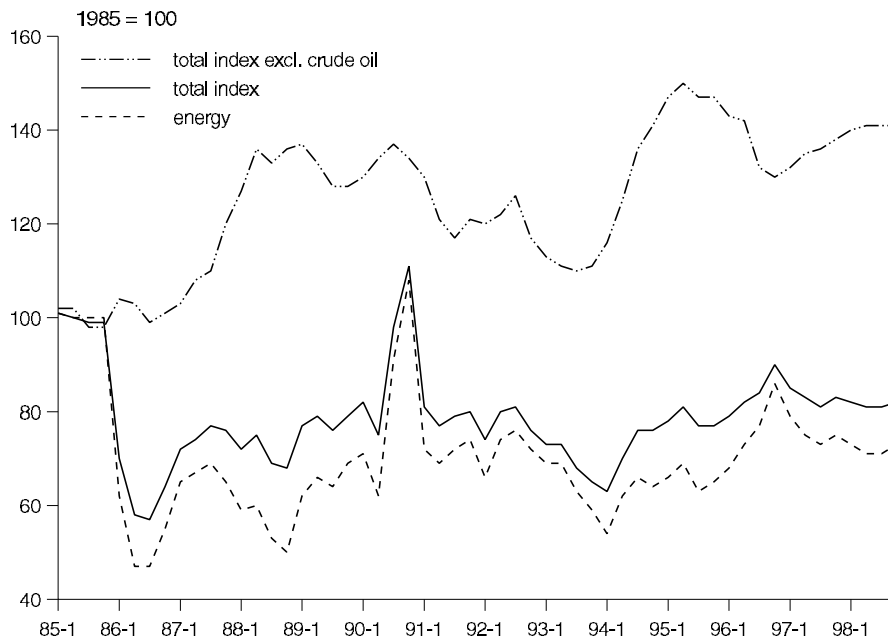
	1997	1998
	annual percentage changes	
Total	-1	-2
Total, excl. crude oil	-1	4
Food and tropical beverages	2	-2
Industrial raw materials	-1	7
– Agricultural raw materials	-5	8
– Non-ferrous metals	7	8
– Iron ore, scrap	-4	3
Energy raw material	-1	-5
– Crude oil	-1	-5

The continuing modest recovery of economic activity in industrial countries, together with significantly higher growth rates in some other regions, in particular in South East Asia and in several Central Eastern European Countries, will strengthen demand for industrial raw materials and push prices upward. On a yearly basis, because of a significant negative overhang, this will be seen only in the figure for 1998.

Energy prices will decline from a rather high level reached in the third quarter of 1996.

For the index in total these developments will result in a small decrease for 1997 and 1998. However, prices – except crude oil – point in the opposite direction since crude oil has a very high weight in the index.

Chart 2 Raw materials prices HWWA-index, 1985=100



II.3 Energy raw materials

Although crude oil production in OPEC countries was significantly higher than during 1995 and above quota in the fourth quarter of 1996 (26.28 mln barrels per day compared to a quota of 25.033) and total non-OPEC production increased from 42.41 mln barrels per day (1995) to 44.56 in the fourth quarter in 1996, quotations increased sharply during winter, peaking at \$ 23.3 per barrel in January 1997. This was due to a partly unexpected strong demand, resulting from generally low stocks because of the cost-reducing just-in-time inventory practices at refineries, a long hard previous winter and – earlier in 1996 – a generally expected production surplus with declining prices. Moreover the demand in developing countries might have been understated.

Table II.3 Energy raw materials, HWWA-index (1975=100 and percentage changes on previous period)

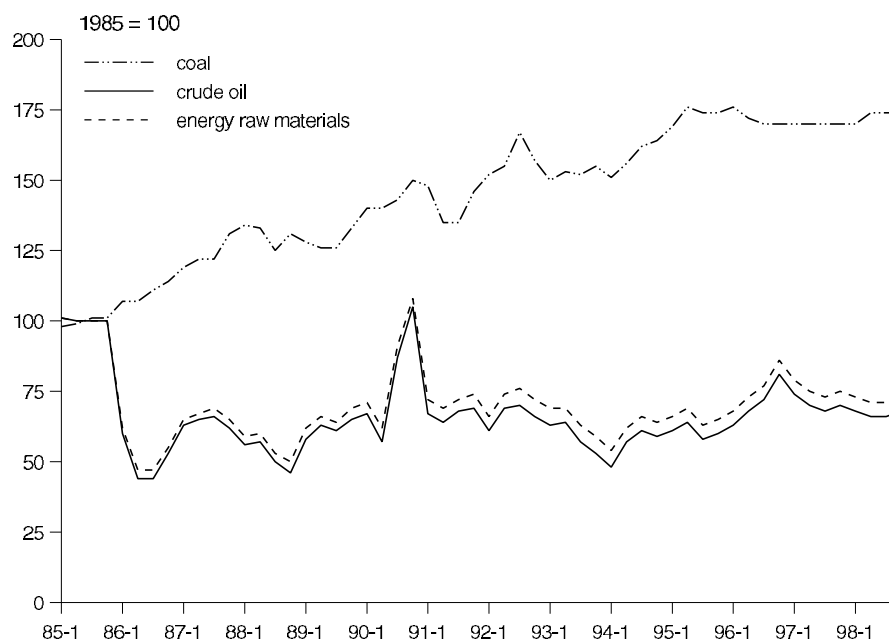
Commodity	96	96	97	97	97	97	98	98	98	98	96	97	98
	3	4	1	2	3	4	1	2	3	4			
Energy raw materials	191	212	195	184	179	184	179	174	174	179	187	186	177
	7	11	-8	-5	-3	-3	-3	-3	0	3	15	0	-5
Coal ind.	205	203	196	196	196	196	196	200	200	200	207	196	199
	-2	0	-4	0	0	0	0	2	0	0	-3	-5	1
Crude oil	189	213	195	183	178	183	177	172	172	177	185	185	175
	7	12	-8	-6	-3	3	-3	-3	0	3	18	-1	-5

The price of about \$ 23 per barrel in January has since declined. Taking seasonal effects into account this trend will hold on in the next two quarters, but with dropping rates. Assuming a normal winter period and no supply restrictions, a moderate price increase is expected for the fourth quarter and that will lead to a small decrease for the 1997 average.

The IEA forecasts an increase in world oil demand of 2.6% in 1997 to 73.6 mln barrels per day. However, demand figures are typically revised upward when the annual data are released. Therefore the projected large production surplus of 1997 resulting from a marked production increase of 4.6% (from 72.1 to 75.1 mln barrels per day) from 1996 to 1997 might be somewhat overstated. Nevertheless quotations will remain under pressure and with the normal seasonal variation will reach about \$19 at the end of 1998.

In 1996 the average **coal** prices proved virtually unchanged from the previous years levels. The outcomes of just concluded contract negotiations indicate no major changes in 1997 either, with a possible modest fall in steam coal price quotations and rollover prices for cooking coal. In the medium term, an expected rise in demand for imported coal will be covered by additional deliveries from new mine projects due to come on stream. Therefore, even with a pick-up in consumption, only moderate price increases can be assumed for 1998.

Chart 3 Energy prices HWWA-index, 1985 = 100



In the second half of 1996 the world **steam coal** market showed signs of strengthening. Several factors contributed to the relatively firm balance in the market, including hydropower shortage in Scandinavia and a rise in German and UK imports on the demand side, and a dip in exports from South Africa, industrial action in the Australian coal industry and a reduction in the exports of high-cost US coal on the supply side. In the period of June to November last year SA spot quotations increased by 3 \$/mt.

However, at the end of 1996 the upward trend has been reversed under the impact of growing competition from cheap Australian coal on the European market, in its turn a consequence of low freight rates and a shift in buying practices of Japanese utilities, which reduced their contract purchase and raised the share of spot shipments. As a result of the changed mood of the market, SA steam coal exporters had to accept a 1\$/mt cut (to 32.60 \$/mt) in ENEL benchmark contract price for 1997, instead of expected rise by 0.5 to 1.5 \$/mt. The settled benchmark price corresponds to the recent level of spot quotations.

Demand prospects for 1997 appear to be less robust than previously predicted. In Japan and South Korea ten new power stations are to be put into operation this year, but the process of commissioning seems delayed. On the European market, the

expected increase in the imports of Germany, Italy and Israel will exceed only marginally (by a 1.5 to 2.5 mt) the awaited cuts in French and Spanish import demand. Under these conditions, the period of overall weakening of the market and a further fall in spot prices can last at least to May, June this year, following the last years pattern.

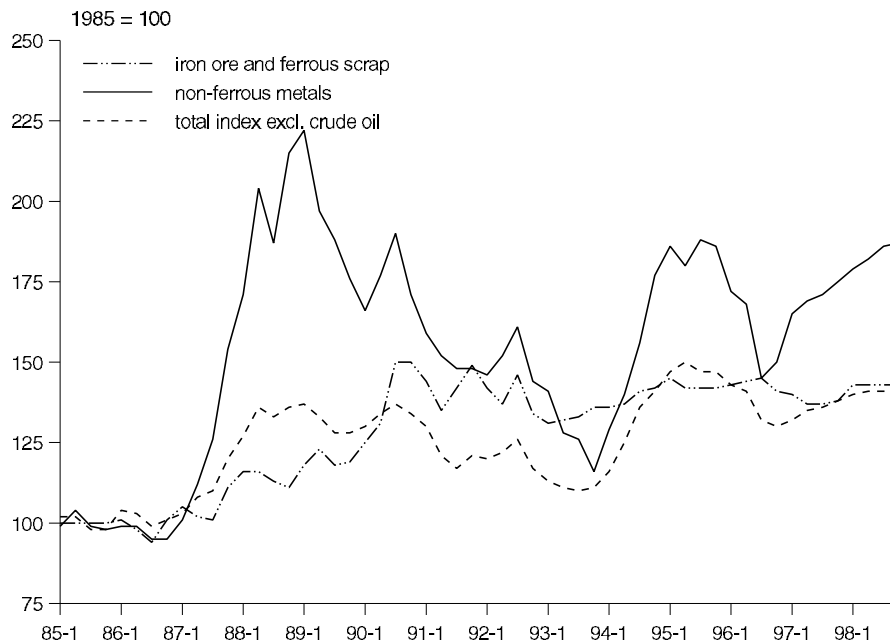
At the end of 1997 and in 1998 the world steam coal market can strengthen again, as a pick-up in demand is generally awaited, both in the Pacific region and in Europe (mainly in Germany and in the UK, where reductions of subsidies for domestic coal producers foster more coal imports). However, as new production capacities (e.g. in Australia) should meet increased consumption, the price rise forecasted for 1998 is moderate (3%, after a fall of 3% expected for this year).

In 1996, the prices of internationally traded **coking coal** remained generally unchanged compared to the previous year. In view of recent contract settlements, the same picture can be expected in 1997. In the US deliveries to Europe rollover pricing prevails, with changes no more than 0.5 \$/mt up or down on last years levels, and price cuts accepted in exchange for a volume increase. On the Pacific market, the prices of Australian supplies to the Japanese steel mills increased only in the case of premium brands, and declined slightly for other brands.

Stagnant coking coal prices reflect the poor state of the world steel industry last year. However, steel production already shows signs of recovery. In January 1997 pig iron production in coking coal importing countries was higher by 4.8% than in the corresponding month last year. A substantial rise in the world steel production, forecasted for both 1997 and 1998 should fuel the demand for coking and, consequently, induce an upward movement in contract prices for 1998/99 by 2%.

II.4 Metals and minerals

Chart 4 Metals and minerals prices HWWA-index, 1985 = 100



The negative price trend for most non-ferrous metals ended in the fourth quarter of 1996. Quotations for major commodities increased during the first quarter of 1997. Beside more technical reasons (institutional hedging) this marked turn in price developments seems to reflect increased demand for building stocks, which are very low at the LME, and the in general more lively demand because of the continuing increase in economic activity.

Despite higher production, **aluminum** prices recovered from their low in October as demand picked up. The slow stock buildup that had started in autumn 1995 finally came to an end. LME inventories lost about 100 000 tons since the beginning of this year. Compared to peak levels three years ago stocks have been reduced by 50%. Prices in the first quarter of 1997 were at the same level as one year ago. US consumption rose because of increased construction activities; in Japan construction as well as car sales were boasted in the fourth quarter 1996 because of the increase in the consumption tax rate announced for April 1997. Despite a temporary drop in Japan, the general upward trend in consumption is expected to continue since

economic growth in industrial countries will be more broadly based. European aluminum producers report a rise in orders. Aluminum demand will gain in particular from the transportation sector (aircraft, automobile). Total demand for aluminum in the Western world is likely to grow by 4 and 3% 1997 and 1998 respectively after a slight decrease in 1996. Aluminum production in the Western world will rise moderately as idle smelting capacity is still available and expansions are under way in several countries. Russia will continue to be a significant exporter and thus account for most of the remaining output gap. Deliveries from China will probably decline as indigenous consumption grows. All in all, production and consumption are expected to be more or less in balance in 1997, and end up with a deficit in 1998. The scope for price increases will therefore be limited in the short run. On average prices are forecast to rise by 10% in 1997 and in 1998.

Copper prices recovered in the last months of 1996 after having reached their lowest level for more than two and a half years in the third quarter. They made up for most of the loss resulting primarily from the Sumitomo scandal and were only 6% lower in the first quarter of 1997 compared to the same period in 1996. The higher price resulted from higher consumption due to strong growth in North America and a broadening recovery in Western Europe – Western copper consumption apparently grew by about 4% last year – and from decreasing stock levels. Speculative fund buying probably played an important part in the copper price rise as well. Prices may have reached their peak for the time being, as stock development in London reversed at the end of 1996. World consumption is projected to further increase in 1997, above all due to stepped up South East Asian consumption, whereas copper use in the US is expected to rise more slowly than in 1996. In Europe, physical buying is reported to pick-up, and a higher demand for construction purposes is widely expected. A crucial factor is the demand from China, which increased in 1996. Much of the debate over copper is about potential Chinese buying to replenish strategic stocks. China's strategic stockpile plays an increasing role in price stabilization, but as the buying pattern as well as the actual size are unknown, they are the subject of intense speculation. Unless China tips the balance, world copper supplies are likely to show a modest surplus this year. Copper prices are forecast to rise by 7% in 1997 and also in 1998 compared to a decline of 22% last year.

Table II.4 Metals and minerals, HWWA-index (1975=100 and percentage changes on previous period)

Commodity	96	96	97	97	97	97	98	98	98	98	96	97	98
	3	4	1	2	3	4	1	2	3	4			
Non ferrous- metals	161	166	183	188	190	194	199	202	206	208	176	189	204
	-14	3	10	2	1	2	2	2	2	1	-16	7	8
Aluminium, GB	209	207	231	237	242	249	257	260	265	273	218	240	263
	-7	-1	12	3	2	3	3	1	2	3	-16	10	10
Lead, GB	194	174	165	170	174	179	183	186	186	186	188	172	185
	-2	-10	-5	3	2	3	2	2	0	0	23	-8	8
Copper, GB	161	175	196	198	198	202	206	210	217	217	186	199	213
	-20	9	12	1	0	2	2	2	3	0	-22	7	7
Nickel, GB	178	172	179	190	196	202	210	218	218	218	187	192	216
	-10	-3	4	6	3	3	4	4	0	0	-9	3	13
Zinc, GB	135	139	158	169	171	174	178	178	178	178	138	168	178
	-3	3	14	7	1	2	2	0	0	0	-1	22	6
Tin, GB	90	87	86	88	88	88	90	92	92	92	90	88	92
	-3	-4	-1	3	0	0	2	2	0	0	-1	-3	4
Iron ore, scrap	151	146	146	142	142	143	148	148	148	148	149	143	148
	1	-3	0	-2	0	0	4	0	0	0	-1	-4	3
Iron ore, Can.	138	138	138	135	135	135	141	141	141	141	138	136	141
	0	0	0	-2	0	0	0	0	0	0	0	1	3
Steel scrap, US	190	173	187	181	181	185	189	189	189	189	192	184	189
	-2	-9	8	-3	0	2	2	0	0	0	3	-4	3

Prices of **lead** have been depressed in recent months due to slow demand from battery manufactures, fund selling and general destocking. Stock levels are relatively low by now but still falling. Global consumption presumably rose slightly in 1996, with demand being particularly strong in Western Europe and the US. Consumption will strengthen further in 1997 also because there is a potential for re-stocking by the industry. The Western supply gap in 1996 was filled greatly by Chinese exports. In 1997 these exports might fall short of the needs as indigenous consumption will absorb a growing share of available volumes. Furthermore the discontinuation of production at several mines will limit the availability of concentrate and thus also restrict Chinas ability to export refined metal. Therefore prices are expected to rise

again moderately during 1997 and will stabilize at a level of about 770 \$/ton in mid 1998. Due to the negative overhang the yearly average will decline by 8% in 1997 and increase by 8% in 1998.

Nickel prices were highly volatile in recent months. After having fallen to their lowest level in two and a half year in December due to slow demand, prices have recovered strongly. LME inventories have modestly increased from their mid 1996 low, but are still at only one third of their peak at the end of 1994. Recent price fluctuations might have been aggravated by speculative activities. Consumption in the Western world fell by 10% in 1996, while output figures show an increase of 2.5%. Demand will strengthen this year, particularly in Western Europe as well as in Asia, while increases might be smaller in the US pointing at an overall rise in consumption of 4% in 1997.

Production increases will be slightly less. A continuing theme for rumors regarding nickel production are the problems of the Norilsk Nickel complex in Siberia. This year, as last year, it has payment arrears. According to some traders, a major supply disruption could result from a strike there, but others doubt the seriousness of the effects on the nickel market should such a strike happen. Experiences up to now lead to the conclusion that foreign currency needs will finally ensure the continuity of production. Disregarding these uncertainties, the market will tighten only slowly. The upward pressure on prices will be more marked only in 1998. The average price is expected to be up 3% in 1997 and 13% in 1998 compared to the respective previous year.

Western world **tin** consumption in 1996 has totaled about 175 000 tons according to the latest WBM statistics, a slight decrease from 1995, while Western production expanded last year by 6%. The still resulting supply deficit was obviously widely compensated by exports from China and a drawdown of US strategic stocks. The high tin prices that prevailed from late 1995 until spring of 1996, reaching 6400 \$/t in the second quarter, were receding accordingly. Until the first quarter of 1997 they had come down 8%, with recoveries now and then in recent months that hint at speculative influences. Demand will rise in 1997 as consumption in industrialized countries will be resumed in line with the broadening economic growth, though increases, in line with a general rule, will again be lower than for other metals.

Information on tin supply is scarce as statistics are incomplete or not very reliable. Production supposedly will be expanded as well, as producers seem to have acquiesced with lower prices, though the expansion might slowdown compared to 1996. Expectations of Chinese deliveries being postponed until prices tighten again have yet to be confirmed. The tin price is supposed to have reached its lowest level for the time being and to rise again slowly. As prices came down from a high level in the first half of 1996, they will, on average, be 3% lower in 1997 and 4% higher in 1998. The future of the tin export quota system that ended in June 1996 is still dark. The ATPC executive committee will present a proposal regarding the renewal

in May. Producing countries Australia and Thailand left the Association of Tin Producing Countries (ATPC) last December.

World **zinc** consumption was at record levels in 1996 and outpaced refined production for the second year as the market struggled to absorb large surpluses from previous years and cope with relatively low prices. Only in February prices began to rise sharply when diminishing stocks pointed at a tightening of the market. LME stocks in March were down by 30% compared to the beginning of 1995, and prices reached their highest level for four and a half years. Western world consumption of zinc in 1996 presumably was about 3% lower than in 1995. The slight fall followed two years of growth. While demand fell in Western Europe and the US and more significantly in Japan, it remained strong in Korea. Metal output in the Western world was expanded by 2%, while increases in America and Europe being partly balanced by decreases in Asian countries. Western production of refined zinc was substantially below consumption. The resulting supply deficit was largely compensated, mostly by deliveries from China, but also from East European sources. Demand is set to rise in 1997 and 1998, with production following. Therefore it is expected that the Western market will remain in deficit. Consequently the upward pressure on prices will increase. An important assumption in this scenario is that China with its high smelting capacities will not be able to increase metal exports due to shortages of concentrate supplies from the West. Prices are forecast to rise by 22% in 1997 and 6% in 1998.

World **crude steel** production fell by 0.2% in 1996, according to estimates by the United Nations Economic Commission for Europe. Production decreased by 4.8% in Europe, EU production decreased by 5.3% and CIS production by 3.3%. Production increased in all Asian countries with the exception of Japan, where it decreased by 2.8%. China overtook Japan to become the worlds largest steel producing country. US production increased by slightly under 1%.

1996 was characterized by surplus stock levels in the beginning of the year, which took until the third quarter to clear fully. Prices bottomed out in the third quarter of 1996, and recovered slightly in the fourth quarter. Prices have been stable since October 1996.

The outlook for 1997 points to an increasing demand, particularly in Europe. Inventory levels are down to normal, and economic growth is expected to be stronger, as Europe recovers from last years „mini recession“ and construction activity increases. Asian demand is expected to continue to grow strongly, and the IISI predicts that apparent consumption will reach its all time high this year. However, capacity will continue to increase this year, particularly in Asia, potentially leading to a situation of oversupply. This should keep excessive price rises in check. The strength of the dollar favors European exports and has already led to rising domestic prices in the German sections market.

The appreciation of the dollar will keep dollar denominated price rises in check, as domestic prices have risen although dollar denominated prices have remained

stable. All in all, prices are expected to remain fairly stable in the second quarter. As construction demand picks up there may well be room for a price increase in the third quarter which will be further reinforced in the fourth quarter.

In 1998 GDP growth is expected to accelerate as is residential construction. However, capacity will continue to expand, although CIS exports are expected to steadily decline due to increasing transport costs and strengthening domestic demand. Prices should remain fairly stable as improved demand conditions are offset by increasing supply, with maybe a slight rise in the last quarter.

The price of **steel scrap** increased last year by around three percent. However, the price fluctuated heavily on a high level as was already foreseen in our previous forecasts. During the last quarter of 1996 the price of heavy melting scrap in the US declined sharply as supply increased due to the more than normal intense scrap collection because of the mild winter. In the beginning of this year, the prices recovered. The strengthening of the US dollar against most other main currencies makes the US exports more difficult and puts some pressure on the price in the short-term.

The **iron ore** contract prices for this year fell by around 1% depending on the quality of the ore. The Brazilian pellet prices for Europe declined by 0.6% to 52.1 cents per metric ton unit.

The price of benchmark ore for the group, Brazilian fines to Europe, was not settled. The price is assumed to have declined somewhat more than the price of pellets. The price decline was to a great extent due to the decline in world production of steel last year and the strengthened dollar, which increased the export prices in domestic prices e.g. in Brazil.

The increasing production of steel implies a slower increase in the demand for ore as the technology in the steel industry is developing into scrap using direction. However, the price of scrap is nowadays regarded as high and its profitability advantage against iron ore has narrowed markedly. This will diminish the structural pressure towards slow growth of demand for ore. In addition the increasing use of scrap substitutes like pig iron, direct reduced iron and even iron carbide will increase the demand for ore.

Next year the increase in demand is expected to exceed that of supply. As a result a small price increase is expected. However, the price of 29 dollar cents will still be well below the peak price in 1991 of 31.6 cents per metric ton.

Demand for **manganese ore** was virtually stable last year, in line with global steel production, which decreased by 0.2% according to the United Nations Commission for Europe. The contract price for manganese ore was established in March/April 1996.

Prices of manganese alloys such as ferro-manganese and silico-manganese slipped during the year due to subdued demand in the steel industry and oversupply. Some

traders expect the market to pick-up slightly in the second quarter of 1997. Manganese alloy prices also appear to be recovering slightly.

Last year, the price of manganese rose for the first time since 1991. This year, steel production is expected to increase, thereby increasing demand for manganese ore. However, it seems likely that prices will fall this year, since high stock levels and the depreciation of the yen against the dollar exercise downward pressure on prices.

Next year economic fundamentals point to stronger demand for steel than in 1997, which should in turn lead to increased demand for manganese. This together with a possible appreciation of the yen should make room for a slight price increase from the 1997 level.

There is a clear trend among manganese producers to vertically integrate and to refine ore rather than merely producing ore. This is, however, a highly energy intensive process requiring considerable capital investments, and its viability is dependent on plentiful cheap energy.

The price development for **tungsten** has been very volatile during the last few years. It depends heavily on the production of China. China produces currently two thirds of world tungsten concentrates. About 45% of tungsten reserves are situated in China as well.

The price of tungsten metal has fallen to a level where many producers cannot cover their costs. The recent price fall has been due to the depletion of stocks, the mine production even decreased. Stock levels should now be low worldwide. The producers restricted production slightly already last year in order to push prices upwards. As a result the price of ore is expected to have reached the bottom in March 1997. However, the average price for this year will be still below the last year's level. In 1998 the price will surpass the level of 1997 by 15%.

II.5 Agricultural raw materials

About a year ago woodpulp prices crashed. The NBSK benchmark grade fell from an all-time high of 1000 \$/ton in October 1995 to a trough of 490 \$ in April 1996, the sharpest decline on record. Since then woodpulp prices struggled to recover despite the pick-up in economic growth in OECD countries. On several occasions producers have announced and tried to push through price increases that have so far failed to materialize. Last December woodpulp prices were around the 550 \$ level announced in May 1996 to be effective June 1. By the end of December a new announcement was made to push prices up to \$ 620 effective January 1. But prices actually declined in the first quarter to \$ 530 in March, up only 8% from April 1996.

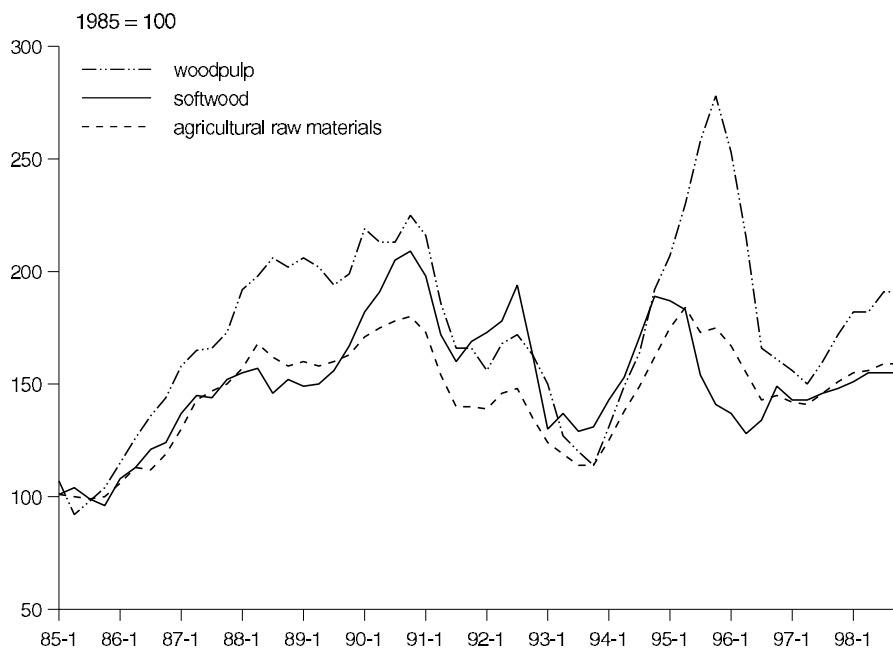
A year ago, the first announcement of price increases led to a reduction in NORSCAN stocks from 2.5 mln tons in April 1996 to 1.6 in June by spurring speculative buying. But since July 1996, NORSCAN stocks have edged up to reach 2.0 mln tons in December preventing any solid upturn in prices. The main factor

behind this trend is that producers have not backed their announcements with substantial reductions in production. Especially North American producers kept producing flat out.

Looking ahead better growth prospects in OECD countries (especially a resilient US economy and a European recovery) should foster a strengthening in woodpulp prices. NORSCAN stocks could fall in the coming months and a level of around 1.5 or 1.6 mln tons would trigger a sustained rise in woodpulp prices. In 1998 a leveling out is expected, brought about by a slowdown in growth of the US economy.

Softwood prices declined in 1996 in terms of annual average, but they reached a trough around spring. Some firming took place from then on, thanks mainly to a strong recovery in the US housing market. On the other hand housing permits remained on a downward trend in other major European countries especially in Germany. The price decrease in the beginning of 1997 seems to be mainly weather related, and prices are expected to rise in the second half of 1997.

Chart 5 Agricultural raw materials prices HWWA-index, 1985 = 100



The further prospects hinge on the impact of lower long-term interest rates on the housing industries in continental Europe. At least in the UK a monetary tightening is

quite likely to be implemented in the wake of the May elections to stem inflationary pressure that are now building especially in the labor market.

Prices for **tropical timber** have risen sharply since May 1996. This rise seems mainly due to a growth of the housing market in Japan in the face of a relative scarcity of supply. Some of the rise may be related to currency shifts, especially the strong appreciation of the British pound versus the DM and the dollar.

Looking to the future the main uncertainty is the impact of the implementation of a restrictive fiscal policy on housing demand in Japan. It may well undercut the current recovery in housing permits.

The price for **cattle hides** will slightly increase further because of economic growth and a relatively high income elasticity for leather. This tendency is strengthened by more or less stagnating supplies, a consequence of the stagnation in cattle slaughtering and - to a smaller extent - of the destruction of hides mainly in the UK, resulting from the BSE caused killing program for cattle.

Table II.5 Agricultural raw materials, HWWA-index (1975=100 and percentage changes on previous period)

Commodity	96 3	96 4	97 1	97 2	97 3	97 4	98 1	98 2	98 3	98 4	96	97	98
Agricultural raw materials	176	179	174	173	180	186	191	192	195	195	187	178	193
	-7	1	-3	0	4	4	2	1	1	0	-12	-5	8
Cotton, US	154	156	157	158	160	161	161	161	161	161	164	159	161
	-10	1	0	0	0	0	0	0	0	0	-16	-3	1
Sisal, GB	123	123	123	123	123	123	117	117	117	117	119	123	117
	3	0	0	0	0	0	-5	0	0	0	20	3	-5
Wool, Aus.	184	174	177	178	1182	187	193	199	199	199	174	181	197
	7	-5	1	1	2	3	3	3	0	0	-5	4	9
Hides, US	404	410	404	408	420	429	429	429	429	429	375	415	429
	11	1	-1	0	3	2	0	0	0	0	-1	11	3
Softwood, Swe.	169	187	178	178	182	186	189	193	193	192	172	181	192
	5	11	-4	0	2	2	2	2	0	0	-10	5	6
Woodpulp, Fra.	149	144	139	134	143	153	162	162	170	170	178	142	166
	-23	-3	-3	-4	7	7	6	0	5	0	-19	-20	17
Rubber, US	245	227	220	229	241	253	253	253	253	253	250	236	253
	-6	-7	-3	4	5	5	0	0	0	0	5	-6	7

The prices for **cotton** - taking the yearly average - decreased in 1996 by about 17%. However, a slight recovery started during the winter 1996/97. World production in 1996/97 is estimated at 18.9 mln tons, a decrease of 6.3% compared to the previous year. Consumption, on the contrary, is expected to increase by 2% and will reach the same level as production. Therefore, the price recovery has to be seen as an adaptation to a globally balanced supply/demand situation, which is following the production surplus of the previous year. The stock/consumption ratio for the World (excluding China) will slightly fall from 39 to 37%. The outlook for 1997/98 points again to a rather balanced supply/demand situation with increases in consumption and production of nearly 3%. Therefore quotations will fluctuate around the level of 76 cents/pound (A-index).

Except from a temporary recovery in the third quarter, **wool** prices decreased throughout 1996. This was the consequence of still rather high stocks and high supplies and a temporarily depressed demand in major consuming countries. Prices rose sharply in January 1997, due to temporarily increased buying by China. For 1997 and 1998 a recovery in world wool consumption is expected, with particular increases in China and Western Europe. Since production will increase by only 1%, the first increase since 1992/93, prices will rise even if selling from stocks will be resumed.

Natural rubber prices continued to decline until February 1997; since a stabilization could be observed. The world demand for 1997 is estimated at 6.34 mln tons, an increase of 3.8% over 1996. This is due to the strengthening of economic activity in Europe and the continuing growth in the US and Asia, where China is the most important importer of natural rubber. Since production in 1997 might slightly fall short of consumption, prices will rise moderately. However, because of the negative overhang, the annual average price for 1997 will remain below the previous year. The planned reactivation of the international rubber agreement would not have any market effect at the time being, because there are no buffer stocks and market prices remain well above the buy-trigger price.

II.6 Food and tropical beverages

After reaching a peak at the end of the economic year 1995/96, the international **wheat** quotations declined sharply because of a major production increase in 1996/97 outmatching the estimated utilization by about 8 mln tons. However, the stock/consumption ratio will increase only slightly to 19.5% at the end of 1996/97, a still extremely low level in the long-term view. The expansion in production resulted from both an increase of 5% in the harvested area and an increase in yield of nearly 4%. With the only exception of Eastern Europe production increased in all major growing areas. The increase was largest in Argentina with nearly 70 p.c., roughly doubling exports from 5 to more than 10 mln tons. Global utilization is estimated to increase by about 20 mln tons, which will materialize not only in the Far East countries but

also to a large extent in the US and the EU. In the EU this is a consequence of the change in price relations between home grown wheat and imported cereal substitutes.

During the most recent weeks (March 1997) prices started to increase again, in spite of a strong dollar. This reflects the risk of supply shortages because of still low stocks, not only for wheat but also on the markets for coarse grains and oilseeds and because of reduced sowing of winter wheat in the US. Expecting „trend yields“ for 1997/98, which means roughly the same level as in the previous year and a further moderate increase in harvested area – because of profitable prices and a reduction of set-aside requirements in the EU from 10 to 5% – production should rise again and allow for a further small increase in the stock/consumption ratio. The quotations on the international wheat markets will turn downwards with the start of the new harvest in the Northern Hemisphere and reach a level of 160 \$ /t in 1998.

The price fluctuations on the international **coarse grain** markets were similar to the wheat market. However, the downturn in the mid of 1996 was even more pronounced than on the wheat market, since the upswing in production (11%) was even stronger. However, similar to wheat, the stock/utilization ratio will remain very low in the long-term perspective. Production and utilization proved to react very elastic on price movements reflecting still unused capacities and reduced administrative interventions on the one side and rather limited possibilities to pass price increases for the intermediate product „feed grain“ on to the ultimate consumer of livestock commodities on the other side. The same is true for industrial uses as e.g. the production of alcohol from maize in the US. Specific for the EU is the ongoing substitution of grain substitutes (manioc, soya meal) by coarse grains.

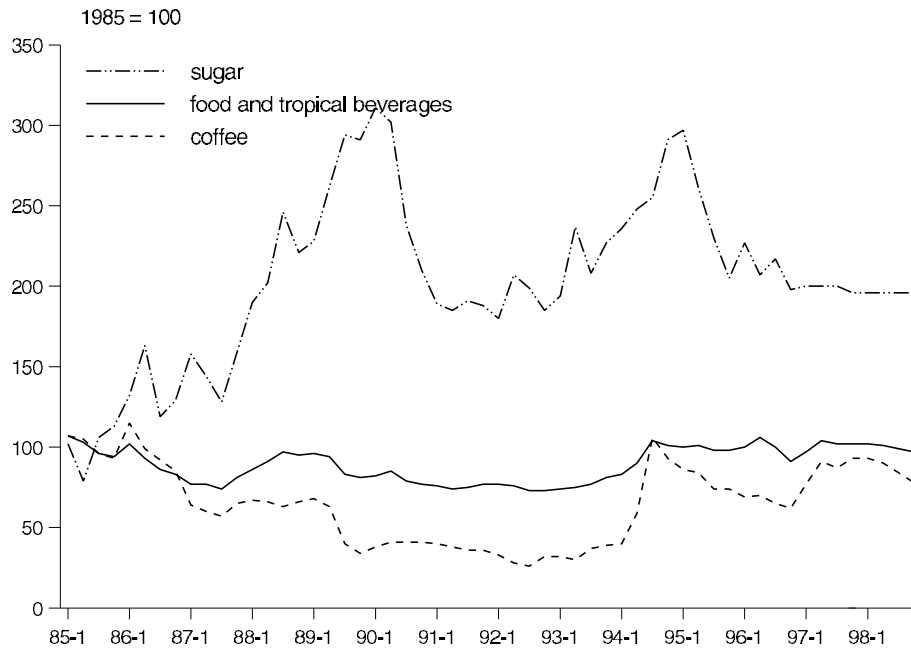
Production increases were largest in the US with 58 mln tons (28%), the EU 16 mln tons (15%), China 6 mln tons (4.5%) and Argentina 3.4 mln tons (31%). Demand will remain strong because of growing incomes in particular in South East Asia. Prices for coarse grains started a slight recovery since March 1997 reflecting risks in the grain-oilseed sector because of low stocks. Given the stated high supply elasticity, not the least because of the greatly reduced administrative interventions in the US and – to a lesser extent – in the EU, production is expected to increase again and to surpass slightly the growing utilization. Therefore, coarse grain quotations will start to decrease with the new harvest in the Northern Hemisphere in autumn 1997 reaching a level of 120 \$/t in 1998.

With a moderate production increase in 1996/97 **rice** prices dropped slightly in the last quarter of 1996. Since on the global scale the market is expected to be balanced, price movements will be rather limited.

Table II.6 Food and tropical beverages, HWWA-index (1975=100 and percentage changes on previous period)

Commodity	96	96	97	97	97	97	98	98	98	98	96	97	98
	3	4	1	2	3	4	1	2	3	4			
Food and tropical beverages	115	104	112	119	118	118	118	116	114	112	114	117	115
	-6	-9	7	7	-1	0	0	-1	-2	-2	-3	2	-2
Cereals	126	101	101	105	103	97	97	96	96	96	126	101	96
	-14	-20	0	4	-2	-6	0	-1	0	0	21	-19	-5
Barley, Can.	105	93	91	95	91	88	88	84	84	84	109	91	85
	-14	-11	-2	4	-4	-4	0	-4	0	0	16	-17	-7
Maize, US	122	94	98	105	105	96	96	96	96	96	124	101	96
	-19	-23	4	7	0	-8	0	0	0	0	29	-19	-5
Rice, Thai	100	90	91	91	91	91	91	91	91	91	98	91	91
	1	-10	0	0	0	0	0	0	0	0	12	-8	0
Wheat, US	124	107	102	103	97	94	94	94	91	91	129	99	92
	-17	-13	-5	1	-6	-3	0	-3	0	0	12	-23	-7
Beverages, tobacco, sugar	101	98	109	119	117	120	121	119	115	111	101	116	117
	-2	-3	11	9	-2	3	1	-1	-3	-3	-19	15	0
Coffee, US	140	133	165	195	187	200	200	194	181	168	142	187	186
	-7	-5	24	18	-4	7	0	-3	-7	-7	-26	31	0
Cocoa, ICCO	120	118	115	124	128	124	124	124	124	124	117	123	124
	0	-1	-3	8	3	-3	0	0	0	0	2	5	1
Tea, GB	123	138	141	145	147	147	147	148	148	150	129	145	148
	-2	12	2	3	1	0	0	0	0	0	8	13	2
Tobacco, US	116	126	131	131	131	131	136	136	136	136	118	131	136
	0	9	4	0	0	0	4	0	0	0	-28	11	4
Sugar, US	57	52	52	52	52	52	51	51	51	51	55	52	51
	5	-9	1	0	0	-2	0	0	0	0	-5	-6	-2
Oilseeds and oil	137	127	137	143	145	145	142	141	139	139	133	142	140
	-2	-7	8	5	1	0	-2	-1	-1	0	13	7	-2
Soybeans, US	144	128	142	149	151	151	148	146	145	145	138	148	146
	0	-11	11	5	1	0	-2	-1	0	0	23	8	-2

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



Beef prices decreased in 1996 compared to 1995. However, the cyclical expansion of cattle herds reached its peak at the beginning of 1996. Therefore, the growth in the production of beef and veal will more or less come to an end in 1997. Even with only a slow expansion in demand, prices will increase during the forecasting period.

During the past six months swings in **soybean** prices have been somewhat larger than was forecast at our previous meeting. Upward revisions of the size of the 1996 harvest in the United States, which is by far the largest soybean producer of the world, exerted a downward pressure on prices in the last quarter of 1996. During this period average soybean prices fell to (slightly) below \$ 300 per ton. However, in the first quarter of 1997 it became increasingly clear that demand for soybean meal was much higher than most market analysts had expected. So, despite the higher than expected harvest in the United States, soybean stocks remained at their historically low level. Although the price effect of the increased demand was partly offset by lower prices for soybean oil, on balance bean prices rose significantly. In the beginning of the year, soybean prices surpassed the \$ 300 per ton threshold again. In the middle of March, they amounted to over \$ 320.

In the coming months the soybean crop of the Western Hemisphere countries will enter the market. Reports from Brazil and Argentina, which take the bulk of the Western Hemisphere soybean production for their account, point to a record production. On the other hand, it is also expected that demand for meal in both South American countries, the United States and in Asian countries will remain strong. Together with relatively small stocks, this will probably result in a tight market for beans. In terms of prices this means that the current level will be more or less maintained in the coming months.

In the second half of the year expectations with respect to the US-crop will dominate the price situation. Given the current, relatively high price level, we expect that, if normal weather conditions prevail, the US crop will expand relative to this year's crop. However, the increase will not be enough to seriously replenish the current small stocks. As a consequence there will not be much room for large price decreases in the remainder of this and the beginning of next year either. In our projections we have proceeded from slightly decreasing prices from the fourth quarter of this year onwards.

Global consumption of **soybean meal** has, on average, risen by nearly 3 mln tons per year in the nineties. By far the greatest part of this increase took place in Asia, with China as the single most important consumer of soybean meal. In the past five years consumption of soybean meal has more than doubled in China. For the coming years demand for vegetable meals is expected to continue its growth pattern of recent years. Apart from China, consumption increases are expected in Northern Africa, the Middle East and Latin America.

Prices of soybean meal are at a higher level than was expected at our meeting in September last year. The larger production was overshadowed by a stronger than expected demand. In March soybean meal prices fluctuated around \$ 300 per ton.

The pig and poultry industries are the main consumers of soybean meal. Due to a growing population, growing incomes and high income elasticities of demand for meat in low and middle income countries, demand for pig and poultry meat will increase. Moreover, stocks of meal are not particularly high and, even more important, stocks of beans are low. Therefore, despite an increase in production, prices of soybean meal are expected to remain at their current high level in the coming months. On the other hand, since the price ratio of soybean meal to corn has developed in favor of feed-grains in recent months, there will be a tendency to decrease the share of soybean meal in feed rations. This substitution will prevent soybean meal prices from rising to much higher levels.

Soybean oil and soybean meal are joint products of soybean crushing. This means that an increased demand for bean crushing due to, say, an increase in demand for soybean meal will, *ceteris paribus*, have a downward effect on oil prices. This mechanism is partly responsible for the price decrease in the last quarter of 1996. On the other hand, it appeared that the cool temperature in the Summer of 1996 in the

US, lessened the oil content of soybeans. So, the increase in soybean crushings did not result in a parallel increase in oil supply. This did not only prevent a too steep price fall, but it also led to a downward revision of global oil production. Despite this, this year's global crush is expanding, albeit that the increase will not be enough to replenish stocks to normal levels. As a reaction to the somewhat 'tighter-than-expected' supply situation, prices started to rise in the beginning of this year. In the second week of March they reached a level of \$ 550 per ton, which is not a particularly high level.

Due to a growth of incomes and population, global consumer demand for vegetable oil will increase by about 1 to 2% this year and next year. Production will increase at more or less the same rate. Therefore, if weather conditions are normal, the supply-demand situation will not fundamentally change during our forecasting period. For soybean oil this means that prices will more or less maintain their current level. Since stocks are not particularly high at the moment, the oil market will be vulnerable to supply disruptions.

Due to a production surplus and an increase in stocks at the end of the year 1995/96, **sugar** prices declined during 1996. According to the main analysts, the in 1996/97 global sugar production will again surpass consumption. The stock/consumption ratio will increase further and approach 41%, an extremely high level in the long-term view. Basically in line with these fundamentals sugar quotations decreased slightly during winter but showed again some strength in March 1997. With a slightly reduced price level the incentives for a further expansion of production in the main producing countries are rather limited. In the EU the GATT/WTO commitment to reduce export subsidies might force the EU to reduce production quotas. On the other hand the greatly depressed sugar production in countries of the former Soviet Union and Cuba might recover in the medium term, a process which could already be observed in the main transition countries in Central and Eastern Europe.

With a steadily growing global demand stock accumulation is expected to come to an end. However, due to the very high stocks there will be no room for upward movements of prices.

Despite the low stock levels in both the coffee-producing and the coffee-importing countries, average **coffee** prices have decreased by 26% in 1996 as compared to 1995. In December 1996 prices had reached a level well below the 100 cts/lib. The main factor behind the downward price trend, which started in the middle of 1995, is the anticipation of buyers on a considerable improvement of the supply situation.

However, in January it became clear that there is much uncertainty whether there will actually be an improvement in 1997. New estimates of the 1996/97 coffee harvest point to a lower crop than was estimated earlier in the year. And due to the economic recovery, (high quality) coffee consumption in Brazil is increasing rapidly, which means that less coffee is available for exports. Finally, first estimates of the Brazilian

crop for 1997/98 are settling at a significantly lower level than was generally expected.

As a reaction to these supply-demand figures, coffee prices started to rise in January, and very soon they reached a level well above 100 cts/lib. Labor unrest in Columbia caused even sharper price rises in February. Early in March coffee prices passed the 130 cts/lib.

There is a general agreement that the supply-demand situation on the coffee market is very tight at the moment. Therefore prices will most likely remain high in the coming months. Whether they will decrease in the second half of the year depends to a large extent on the size of the Brazilian coffee crop. In our projection we have taken a 'middle-of-the-road' position: Brazilian's coffee crop is estimated at 25 mln bags in 1997/98. This still means however that global consumption will outrun global production in the next coffee year. Since stocks are very low, one may expect therefore that in 1997/98 a fluctuating, but basically upward price trend will prevail.

Cocoa prices slipped from 68 cents/lib. in the third quarter of 1996 to 63 cents/lib. in February this year. Due to the all time record cocoa crop in 1995/96, the stocks-to-grinding ratio reached a level slightly over 50%. This level was thought to be high enough to meet the 1996/97 production deficit which was estimated early in the year at about 50.000 tons.

However, in March production figures were revised downwards while consumption figures underwent an upward revision. Production in Cote d'Ivoire and Ghana, the two main cocoa producing countries appears to be significantly lower than was expected earlier. At the same time consumption in a number of countries is increasing quite rapidly. For example, due to an intensive campaign, pointing to the seemingly positive health effects of chocolate, consumption in Japan has risen by 30% last year.

The cocoa market reacted upon the new figures with a price increase. In the second week of March, prices fluctuated around 70 cents/lib. However, although the supply-demand situation is somewhat tighter than was thought earlier, stocks are still large enough to easily meet consumer demand. Therefore we do not expect that prices will continue to rise in the coming months. On the other hand, since the stock-to-grinding ratio will probably go down also next year, there seems not to be much room for price decreases either.

Thanks to favorable weather and a larger use of modern agricultural inputs, **tea** production did increase last year. However, the increase was not enough to meet the growing demand without a price effect. Consequently, tea prices have risen significantly in recent months. Average prices in the first quarter of this year are estimated to be 11% higher than two quarters earlier. The increase in demand from countries of the former Soviet Union was the single most important factor contributing to the price rise. Despite the price rises, tea prices are, seen from an historical perspective, not particularly high at the moment.

World market prices in the remainder of this year are especially dependent on three variables: (i) demand from the former countries of the Soviet Union; (ii) consumption in India and (iii) consumption in China. In our projections we have assumed that 'no particular surprises' with respect to these variables will take place. The moderate increase in global consumption can be met then by the increase in production due to higher yields per hectare. On balance this will result in tea prices fluctuating around the current level.

II.7 Shipping rates

Tanker freight rates are given in worldscale = 100 in DM equivalents. The worldscale index is revised at the beginning of every year, e.g. on the basis of changing costs for oil bunker and harbor duties. Therefore comparisons of different years are of limited value.

For the 4th quarter of 1996 a decrease (-10%) of tanker rates was assumed. But higher transportation costs on behalf of an increasing oil price had stabilizing effects. However, on average the rate increase of 24% forecasted for 1996 was roughly correct.

The rate shows a distinct seasonal fluctuation. The current forecast tries to take this into account. It is assumed that decreasing oil prices (1997: -3%) will no longer have a 'cost push' effect on tanker rates. Therefore, the relatively high rate level of 1996 will probably decrease in 1997 by about 7%. However, it is assumed that an increasing demand for oil in 1998 will lead again to a slight rise of tanker rates of 3 percent on average.

In contrast to the expectations in last autumn German overall sea freight rates of **liner** trades have increased. The higher US-Dollar is one explanatory factor.

Structural competition problems of liner trade, some EU regulation measures and better growth prospects on the world market in 1997 will have a positive effect on the stabilization of liner freight rates. Therefore, an increase of about 3% in 1997 can be expected. However, for 1998 a slight decrease is assumed because of a lower oil price.

In 1996 the decline of **tramp** freight rates (yearly average) was higher than expected because of the postponement of the expected increase to the 4th quarter.

For 1997 only a slight increase of 3% of tramp rates is expected. But a further rise of shipping costs driven by a further increasing world trade volume freight rates could increase by about 10% in 1998, on average.

Table II.7 Commodities not included in the HWWA-index (percentage changes on previous period)

Commodity	96	96	97	97	97	97	98	98	98	98	96	97	98
	3	4	1	2	3	4	1	2	3	4			
Beef	-1	4	1	2	6	0	6	0	0	0	-6	7	9
Soybean meal	3	-1	5	4	2	0	1	-1	-2	-2	30	9	1
Soybean oil	-3	-7	3	3	1	-1	-1	-1	0	0	-12	-1	-1
Tropical hardwood	2	5	1	2	2	2	1	1	-1	0	1	8	3
Steamcoal	1	2	-3	-2	0	2	2	0	0	2	-1	-3	3
Manganese	3	0	0	-4	-2	0	0	4	0	0	3	-2	1
Tungsten	-10	-12	5	6	0	10	0	0	9	0	-18	-3	14
Steel	-4	4	0	0	1	2	4	0	0	3	-8	2	7
Shipping rates													
Tankers	-8	1	-1	-10	15	1	-1	-10	15	-1	24	-7	3
Tramps	-4	3	7	2	2	3	0	-2	2	2	-14	3	10
Liners (DM)	3	2	1	-3	0	2	0	-3	0	1	4	3	-1