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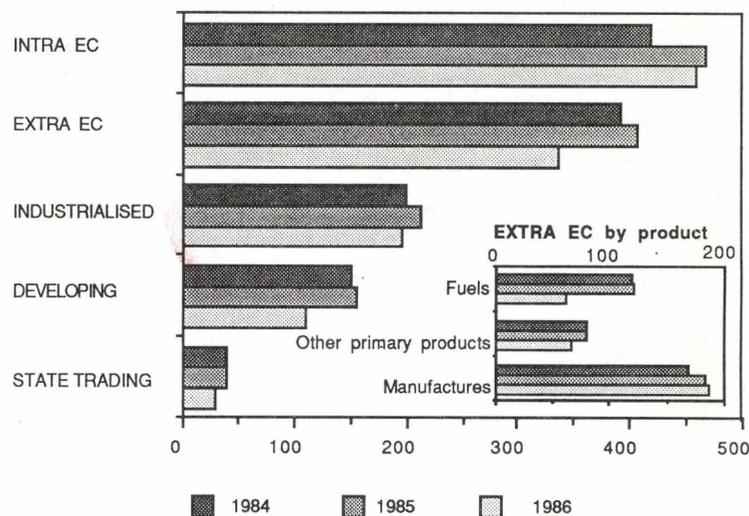
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EC TRADE IN 1986:

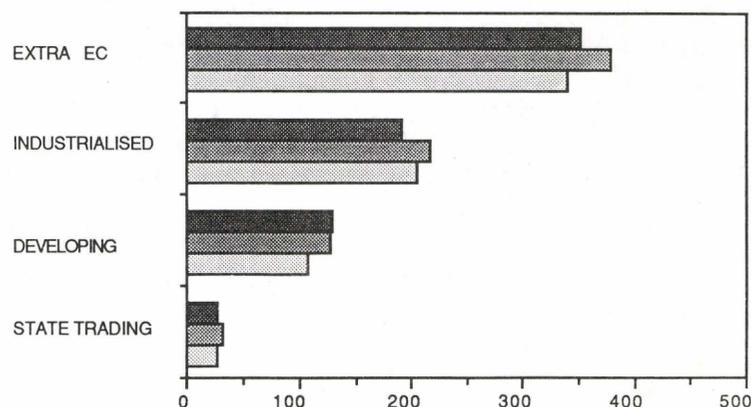
FIRST EVER TRADE SURPLUS

The EC recorded its first ever trade surplus, resulting from a steeper fall in the value of imports (-17%) than of exports (-10%) (see overleaf).

EUR12 IMPORTS
Billion ECU



EUR12 EXPORTS
Billion ECU



EC Imports in 1986: Imports rise 7% in volume terms, but due to falling commodity prices cost 17% less

Last year was one of major structural change in the pattern of world trade due to a transfer of purchasing power away from net exporters of fuel and raw materials, and a big realignment in the value of major currencies. In addition to the sharp fall in the price of oil, other commodity prices also drifted downwards in dollar terms. The dollar declined in value against the ECU throughout 1986. By December it was 35% below its high point of March 1985. The consequence of these changes was a 48% fall in the price of fuel imports and a 21% fall in those of other non-food commodities (in ECU terms). Although the EC's trade balance has benefited from this, it has been at the cost of a continuing decline in exports to many of the EC's traditional markets.

The EC's import bill fell 17% from 406 billion ECU in 1985 to an estimated 335 billion ECU in 1986. This was the steepest yearly decline in percentage terms in the history of the Community. In volume terms imports actually rose by 7%, but this was completely submerged by a reduction in the price of imports of 23%. In 1985 fuel imports at 120 billion ECU were around 30% of total imports. In 1986, fuel imports declined 2% in volume terms but cost only 61 billion ECU. They accounted for just 18% of all imports. Similarly imports of other raw materials fell 22% from 42 billion ECU to 33 billion ECU, on a volume of around 2% less. Imports of food, beverages and tobacco were 8% lower, at 35 billion ECU. On the other hand imports of manufactures rose 1% in value terms and 8% in volume terms. At 185 billion ECU they represented 55% of the total.

Imports from developing countries fell 30% to around 109 billion ECU, or about 32% of the total, due to a 36% price decline. Imports from OPEC fell 45%, those from the Mediterranean Basin and the ACP both declined by around 35%, and imports from Latin America were 32% lower. In contrast, imports from the newly industrialising countries of the Far East rose 4%, and in the second half of 1986 imports from them were 19% above those of the corresponding period of 1985.

At 197 billion ECU, or 7% lower than in 1985, imports from industrialised countries accounted for 59% of total imports. Imports from the USA fell 18% to 56 billion ECU, and those from EFTA fell 4% to 79 billion ECU. As yet unaffected by the rise in the value of the Yen, imports from Japan rose 16% to 33 billion ECU.

Imports from State trading countries in 1986 were 22% lower at 30 billion ECU.

The USA recorded imports of 395 billion ECU in 1986, a decline of 17% by value but an increase of 7% by volume. Raw materials and fuel represented a much higher proportion of Japan's imports so that it is not surprising that its imports declined 26% to 128 billion ECU. In volume terms its imports rose by 12%.

EC Exports in 1986: 10% down, the first year-on-year decline since the Community was founded

EC exports to all third countries fell 10% from 379 billion ECU in 1985 to an estimated 340 billion ECU in 1986. There was a 5% reduction in export volume. This was the first year on year decline in the value of exports since the Community was founded, though export volume also declined in 1970 and 1975.

Sales to industrialised countries declined by 6% to 205 billion ECU. Excluding the USA, the decline would have been only 2%. Exports to EFTA rose 3% to 87 billion ECU and those to Japan rose by 9% to 11 billion ECU. In contrast exports to the USA fell 12% to 75 billion ECU.

Exports to developing countries declined by 17% to 108 billion ECU. EC exports to the OPEC countries were 27% lower at 35 billion ECU. The steep decline in the oil price meant that the EC actually ran a trade surplus with them in the second half of 1986. Exports to the countries of the Mediterranean Basin fell 18% to 36 billion ECU, whilst those to the ACP countries fell 17% to 16 billion ECU. On the other hand exports to Latin America declined by only 6% to 14 billion ECU and those to the newly industrialising countries of the Far East were 7% lower at 18 billion ECU.

State trading countries also cut back their imports from the EC in 1986. These fell by 13% to 28 billion ECU.

Exports of manufactures fell by 7%, a much smaller decline than that of non-manufactures. Manufactures now accounts for 82% of all exports.

The member states most affected by the difficult trading situation were the United Kingdom (whose exports to third countries were 18% lower), Portugal(-21%), Spain (-26%) and Greece (-28%). Germany was the only EC country whose exports maintained their previous year's level.

The USA's exports in 1986 were affected both by the fall in the purchasing power in some of its markets and by the adverse initial effects of a lower valued currency. Its exports declined by 22% to 221 billion ECU, though in fact export volume was unchanged on 1985. Japan's exports declined by 9% to 212 billion ECU, export volume declining by 2%.

EC Trade Balance in 1986: First ever trade surplus

The Community's trade balance improved throughout 1986, with a first half deficit of 5 billion ECU being followed by a second half surplus of 10 billion ECU, yielding an overall surplus of 5 billion ECU for the year as a whole. In 1985, the Community's trade deficit was 28 billion ECU. The improvement of 33 billion ECU can be ascribed to a 52 billion ECU improvement in the fuel account and a 6 billion ECU improvement for other primary products, offset by a deterioration of 25 billion ECU in the trade surplus for manufactures.

Turning to the geographical breakdown of the trade balance, the EC increased its surplus with other industrialised countries from 6 billion ECU to 8 billion ECU, and reduced its deficit with developing countries from 27 billion ECU in 1985 to just one billion ECU in 1986. Its deficit with State trading countries fell from 8 to 2 billion ECU. However the Community had worsening deficits with Japan (22 billion ECU) and the newly industrialising countries of the Far East (6 billion ECU).

Most EC member states improved their trade balances in 1986. Germany's trade surplus (with all countries, including other EC member states) rose from 33 billion ECU in 1985 to 53 billion ECU in 1986. The Netherlands, Belgium-Luxembourg, and Ireland also ran trade surpluses. Italy's trade deficit declined from 16 to 2 billion ECU, and that of France declined from 13 to 10 billion ECU. Greece and Portugal also had lower deficits. In contrast, the United Kingdom's deficit increased from 12 to 20 billion ECU following a cut in its surplus on fuels of 6 billion ECU. Spain and Denmark also had worsening deficits.

The USA's trade deficit remained large, at 173 billion ECU. Japan's trade surplus widened to reach 84 billion ECU.

Intra-EC Trade in 1986: Up 4% by volume, but 2% lower in value terms

In contrast to the 17% decline in imports from outside the Community, imports by one member state from another fell by only 2% to 458 billion ECU. This decline is due to a fall in price which reduced trade in fuel from 51 to 27 billion ECU. Trade in manufactures rose 6% to 340 billion ECU and accounted for 74% of all trade. In volume terms, intra-EC trade expanded by 4%.

The two new member states maintained exports to other member states at their 1985 levels, but Spain increased imports from them by 24%. The United Kingdom's exports declined by 19% and the Netherlands' by 8%, largely due to the lower value of trade in fuels.