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### FIRST ESTIMATES OF EC TRADE IN 1987: EXPORTS MATCH IMPORTS; FURTHER FALL IN IMPORT PRICES

EC exports declined by 1% and imports rose 1% to eliminate the unusual 1986 trade surplus. Import prices fell by 4.5%, whilst export prices were static.

#### Trade Balance: Overall balance in 1987

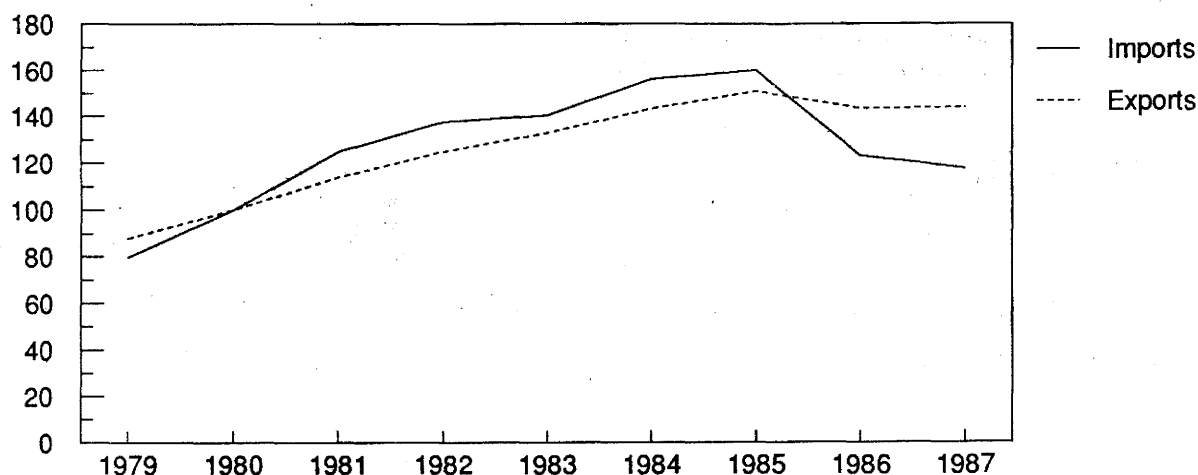
EC trade was close to being **in balance** in 1987, whereas in 1986 exports were 2% higher than imports. This deterioration took place in spite of a further 4% increase in the EC's terms of trade ( defined as the ratio of export prices to import prices ). There was a surplus of around 78 billion ECU in manufactured products, a deficit of 46 billion ECU in fuels and a deficit of 33 billion ECU for other primary products.

The following table shows how the cover ratio ( exports as a percentage of imports ) and terms of trade have varied in the last three years for the Community's trade with its main trading partners:

	COVER RATIO			TERMS OF TRADE (1980=100)		
	1985	1986	1987	1985	1986	1987
Extra-EC	93	102	100	94	117	122
Indust. Third Countries	103	104	104	94	99	102
USA	124	133	128	84	89	96
Japan	37	35	39	91	89	91
EFTA	104	111	110			
Devel. Countries	83	100	97	94	143	153
OPEC	68	91	86	91	182	189
Mediterranean Basin	100	128	117	100	141	149
ACP	64	81	84	103	154	170
Latin America	49	68	70	113	146	167
Far East Newly Indust.	86	77	73	99	116	122
Eastern Bloc	83	93	85	99	141	145

## EC IMPORT AND EXPORT PRICES

1980 = 100 ( ECU )



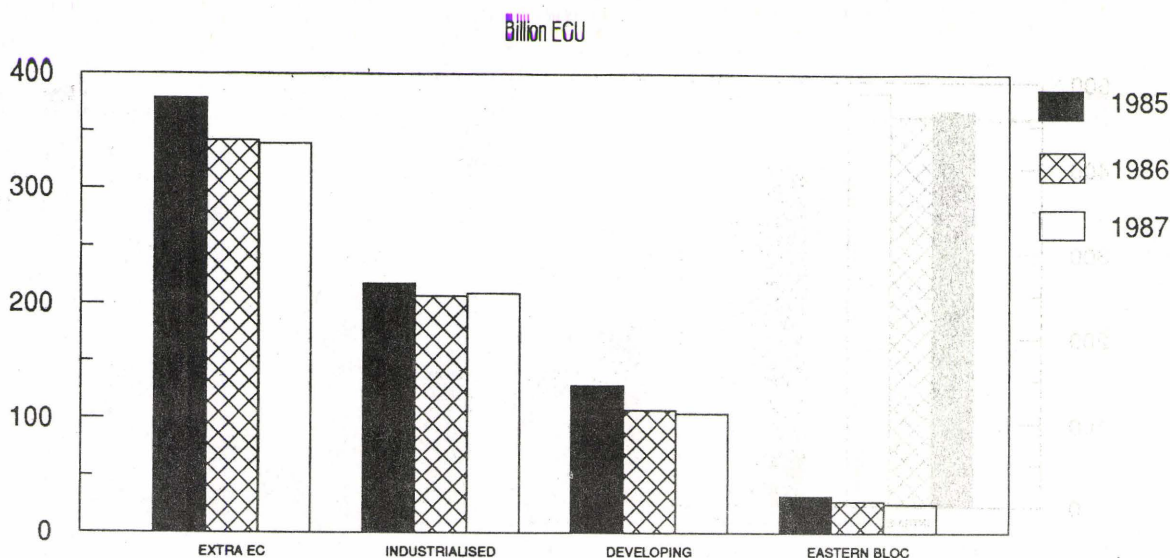
One striking fact about the above table is that the Community's terms of trade increased with every major partner zone in 1987 for which figures are available. Among the industrialised groups, the USA and the Far East stand out as having improved their competitive position, and this is beginning to be reflected in their trade balances with the Community. The EC still has a very large deficit with Japan, though there was some improvement in 1987. The fall in world oil, food and raw material prices since 1985 substantially improved the EC's trade balances with exporters of primary products. However the recovery in oil prices in 1987 worsened the trade balance with OPEC and the Mediterranean Basin.

Germany, France, Ireland and Denmark had trade surpluses with third countries. Turning to Member States trade with all countries ( including intra-EC trade ), Germany increased its trade surplus in 1987 to 57 billion ECU, and the Netherlands and Ireland had more modest trade surpluses of 4 billion ECU and 1 billion ECU respectively. Belgium and Luxembourg's trade was in balance. Spain, France, Italy, Portugal and the U.K. had higher trade deficits.

The USA's trade deficit improved 20 billion ECU in 1987 to 149 billion ECU. Its cover ratio improved from 57% to 60%. In December, the deficit fell to under 10 billion ECU for the first time in three years. In contrast, Japan's trade surplus was 69 billion ECU in 1987, a reduction of 14 billion ECU. Japan's cover ratio for its trade fell from 165% to 154%.



# EUR12 EXPORTS



## Exports: Small decline in 1987

In 1987 the Community's exports declined 1% in both value and volume terms. It was the second successive year of decline and took place against a background of what GATT estimates to have been a 4% rise in the volume of world trade ( though this includes EC imports which were rising ). Japan's exports dropped by even more. In contrast, the USA's exports rose by an estimated 13% in volume terms, but this was offset by a continuing fall in the value of the dollar.

Community exports to third countries were an estimated 339 billion ECU ( the Danish and Greek figures had to be estimated ), compared with 342 billion ECU in 1986. Exports were fairly steady in the first half of 1987 at some 5% below those of the first half of 1986. A recovery started in the third quarter of 1987 and continued in the fourth quarter in spite of the October world stock market crash. Sales to industrialised third countries were 1% higher in 1987 at 209 billion ECU. These amounted to 62% of EC exports. The USA remained the Community's largest individual customer, with purchases of 72 billion ECU, about 4% less than in 1986. Deliveries to the EFTA countries continued to expand, rising 4% to over 90 billion ECU. In the past, exports to Japan have grown relatively slowly. An easing of Japanese trade barriers and a cheaper ECU in Yen terms helped EC exports to expand by 19% in 1987 to nearly 14 billion ECU.

Following the sharp decline in commodity prices in 1985/6, many countries have had to rein back their imports. As a result, EC exports to developing countries declined 17% in 1986 and a further 3% in 1987 to 105 billion ECU. Sales to OPEC countries dropped 16% to 30 billion ECU. Lower sales to oil exporters also contributed to the 7% decline in exports to the Mediterranean Basin to 34 billion ECU. There was also a 14% slide in exports to the ACP countries to 14 billion ECU, whilst sales to Latin America declined 2% to the same amount. Exports to Eastern Bloc countries were 8% lower at 25 billion ECU. The overall decline was moderated by a 14% increase in exports to the newly industrialising countries of the Far East to 21 billion ECU.

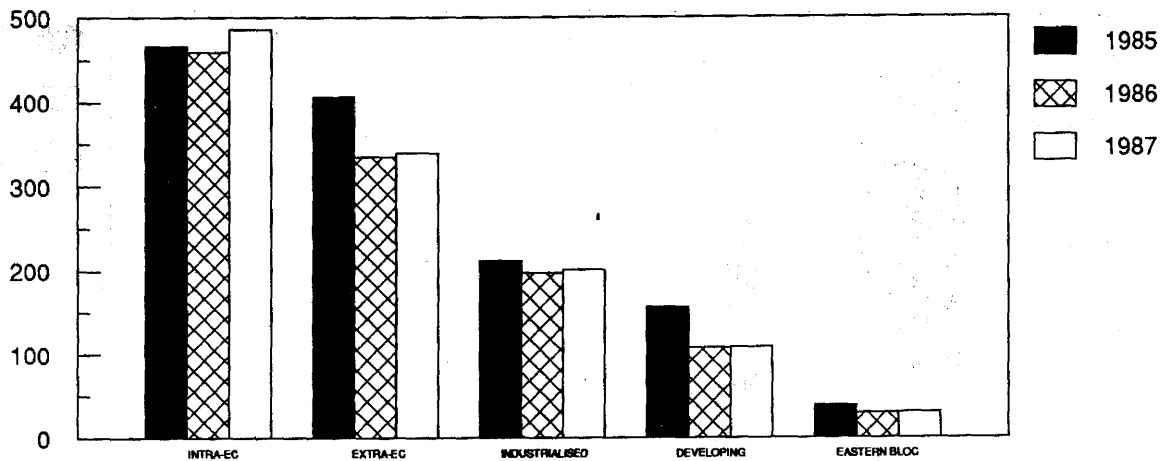
Manufactured goods accounted for 81% of EC exports. There was a 1% fall in their sales. However exports of capital goods fell 7.5% in volume terms, and passenger cars, 4%.

Germany remained the largest EC exporter to third countries, with exports of 120 billion ECU, a decline of 1% on 1986. The U.K.'s exports climbed 2% to 57 billion ECU. France and Italy's exports to non-EC countries both fell by 4%, to 49 and 44 billion ECU respectively. The Netherlands' exports were 20 billion ECU and Belgium and Luxembourg's were 18 billion ECU. Spain's exports jumped 21% to 12 billion ECU, the fastest growth in the Community in 1987. Ireland's exports rose 2% to 3.5 billion ECU and Portugal's fell 1% to 2.1 billion ECU.

The USA's exports grew rapidly in volume but fell 1% in value terms to 219 billion ECU. Unlike most years, Japan's exporters did less well than those of the Community and the USA. Facing a combination of depressed markets and the effects of a higher Yen, Japan's exports fell 7% to 198 billion ECU, with no recovery in the second half.

## EUR12 IMPORTS

Billion ECU



### Imports: Up 1% resulting from a 6% volume rise and lower prices

EC imports from third countries in 1987 rose 1% to an estimated 339 billion ECU. However the prices of primary products have fluctuated a great deal in the last few years. Fuel prices fell 68% between March 1985 and August 1986, and have since risen by a third. The prices of other raw materials fell by 32% between February 1985 and February 1987 but then recovered by 5%. Those of food imports on the other hand continued to fall in 1987, and by the end of 1987 were down 27% from their March 1985 level. In contrast the prices of manufactured goods, which accounted for 58% of imports, have been relatively stable. They declined by 6% in 1986 and 2% in 1987. Overall import prices were 4.5% lower, implying that EC imports for 1987 rose 6% in volume terms. The volume of fuel imports was unchanged, that for food rose 5% and that for other raw materials 3%. The volume of imports of manufactures rose 9%. Imports of capital goods also rose 9% by volume. However imports of consumer durables other than cars rose 20% and semi-durable consumer goods rose 24% by volume.

Imports from other industrialised countries, developing countries and the Eastern Bloc all rose at about the same rate as total imports. Zones with above average growth were the newly industrialising countries of the Far East (+19% by value and +25% by volume), EFTA (+5%) and Japan (+4%). Losers were the ACP countries (-16% by value and -5% by volume), OPEC (-10% by value and -5% by volume), Latin America (-4% by value but +10% by volume), and the USA (-1% by value but +8% by volume).

Germany's imports from third countries rose 1% to 90 billion ECU, and the U.K.'s rose 3% to 65 billion ECU. Although France and Italy both had imports from non-EC countries of 47 billion ECU, France's imports were static whilst Italy's grew by 4%. The Netherlands' imports increased by 1% to 32 billion ECU. Belgium and Luxembourg's imports from third countries fell 4% to 20 billion ECU. The Iberian countries had the fastest growth among Member States with Spanish imports rising 12% to 18 billion ECU and Portuguese imports up 14% to 3.9 billion ECU. Ireland's imports from third countries rose 6% to 3.3 billion ECU.

The USA's imports in 1987 were 6% lower at 367 billion ECU, due to the lower dollar. In volume terms there was an estimated rise of around 2%. Japanese imports in 1987 were unchanged in value at 129 billion ECU. However after a steep fall in 1986, they have been growing rapidly from their low point of February 1987.

### Intra-EC Trade: 6% rise in 1987

Trade between Member States rose 6% in both value and volume terms in 1987 to 486 billion ECU. This represented some 59% of their combined intra-EC and third country trade. Trade in manufactures, which accounted for 76% of all intra-EC trade, rose 8% and trade in machinery and transport equipment rose 11%. Trade in food, beverages and tobacco was 3% higher, whilst fuel imports declined 11%, mainly because of lower prices. The recent enlargement of the Community continued to act as a stimulus, with the two Iberian countries having the fastest export and import growth.

For further information, see the EUROSTAT publication "External Trade: Monthly Statistics"