ASSOCIATION D'INSTITUTS EUROPEENS DE CONJONTURE ECONOMIQUE

Working Group on Foreign Trade

World Trade in 2006 and 2007

Report submitted at the AIECE Spring General Meeting

Rome, 11th-12th May 2006

By Alain Henriot (COE, Paris)

Members of the Group are:

COE: Centre d'Observation Economique de la Chambre de Commerce et d'Industrie de Paris

CPB: Netherlands Bureau of Economic Policy Analysis, The Hague

DULBEA: Département d'Economie Appliquée, Bruxelles

IKCHZ: Foreign Trade Research Institute, Warsaw

INSEE: Institut national de la Statistique et des Etudes Economiques, Paris

ISAE: Istituto di Studi e Analisi Economica, Roma

KOPINT-DATORG Economic Research – Informatics, Budapest

Observer:

ECB: European Central Bank, Frankfurt

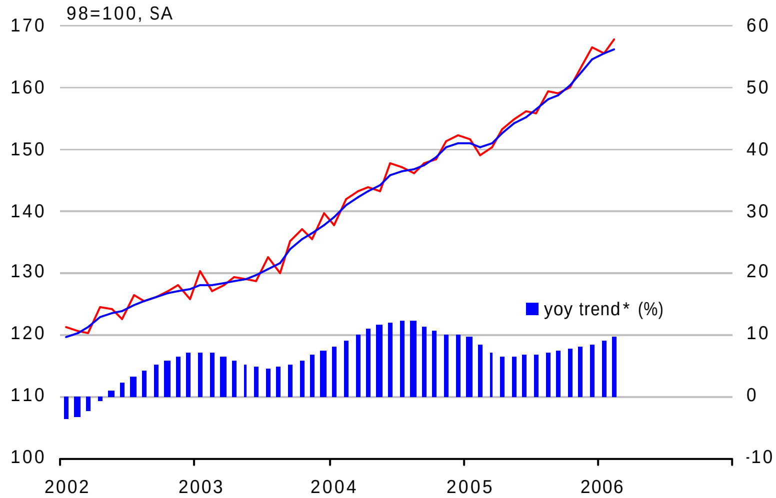
l' institut de conjoncture de la Chambre de commerce et d'industrie de Paris

We would like to thank all participants at the AIECE Working Group on Foreign Trade. In this report, we have used some contributions that were submitted at the working group meeting (3rd and 4th of April 2006). Calculations have been made using CITRA, a CPB model.

1. Overview and general assumptions

The world economy has been enjoying strong growth in the first months of 2006. The weakness displayed in US national accounts in the last quarter of 2005 has been temporary, and activity has been buoyant since the beginning of this year. In Asia, China has been joined by Japan as a leader of economic growth. Even in Europe, the improvement of business climate, particularly marked in Germany, signals stronger economic growth. The increasing prices of industrial raw materials are also consistent with this view of upward trend in global economic growth. As a result, world trade developments have been quite favourable recently, with the year on year growth showing signs of acceleration. This acceleration brings the growth rate above 10% on average in January-February 2006[1], which is four points above the rate reached during the trough of mid-2005.

Graph 1. - World trade (in volume terms)



Source: CPB

** last 3 months compared to the same period a year ago*

The working group assumes that world economy may show signs of deceleration from the middle of this year. After the boom of the last months, US economic growth could come close to its potential growth rate, as the housing market will continue to ease and higher long-term interest rates will begin to have an effect. GDP is thus expected to grow by 3.2% this year and 3% in 2007. The risk of a more pronounced deceleration cannot be totally excluded, as the US economy is always characterised by strong imbalances (for instance a negative saving ratio for households). This deceleration of the

[1]Those figures are based on the CPB monthly trade monitoring http://www.cpb.nl/eng/research/sector6/data/trademonitor.html. They are completed by the COE index on world imports http://www.coe.ccip.fr/indicateur_article.asp?arb_n_id=17&IND_SER_N_ID=23&IND_SER_TH_N_ID=3&ART_N_ID=518.

US economy will have negative effects on other economies; especially in Asia through weaker exports. Those economies may also be affected by a turning point in the electronic cycle, as past trends show a strong correlation between Asian trade flows and the price of semi-conductors (see graph 5 below). Japan is heavily dependant on its exports to other Asian countries, and its economic growth could come back to 2.3% next year after a strong 3% in 2006. The expected moderation of the German economy after the rise in VAT from 1st January 2007 onwards will also have an effect on growth development in the Euro area. GDP growth is expected to be close to 2% in 2006 and 2007 in this region.

This forecast is based on a stabilisation of oil price at, on average, 60 dollars a barrel in 2006 and 2007. This is in line with the assumptions of the AIECE raw material group. The price of non-energy commodities will also decline after a peak mid-2006, partly because imports may be substituted for local production in China.

Regarding exchange rates, we expect a moderate appreciation of the Euro. This is as a consequence of decoupled monetary cycles between the US and the Euro area, and because a further deterioration of the US current account is expected both this year and in 2007. Although this deficit is currently financed by Asian central banks, this swallowing imbalance constantly constitutes a threat to the world economy. The Yen will also appreciate vis-à-vis the dollar in 2007.

Under those assumptions, world trade growth is expected to remain strong this year. However, a deceleration could occur in the course of the second half of 2006. On average, after a 7.4% growth in 2005, world trade will increase by 9.6% in 2006. This is an upward revision compared to our autumn forecast. This is mainly due to a strong carry-over at the beginning of the year (more than 6%), which reflects the strong acceleration of trade flows at the end of 2005. It also leads us to forecast higher world trade growth than expected by some international organisations. WTO expects only a 7% growth rate in 2006[2], and IMF forecasts 8% growth for this year[3]. World trade growth will be limited to 8.3% in 2007. This leaves an apparent elasticity of world trade of goods (in volume terms) to world GDP (in PPP basis) of around 2, both in 2006 and 2007. It underlines again the trend of higher trade elasticity to global economic growth, an issue which has been already discussed in previous reports[4].

[2] See the press release, 11th April 2006. http://www.wto.org/english/news_e/pres06_e/pr437_e.htm .

[3] See the last World Economic Outlook (April 2006), http://www.imf.org/external/pubs/ft/weo/2006/01/.

[4] See G. van Welzenis, CPB document, n°46, January 2004.

Table 1. - Main assumptions and world trade forecast

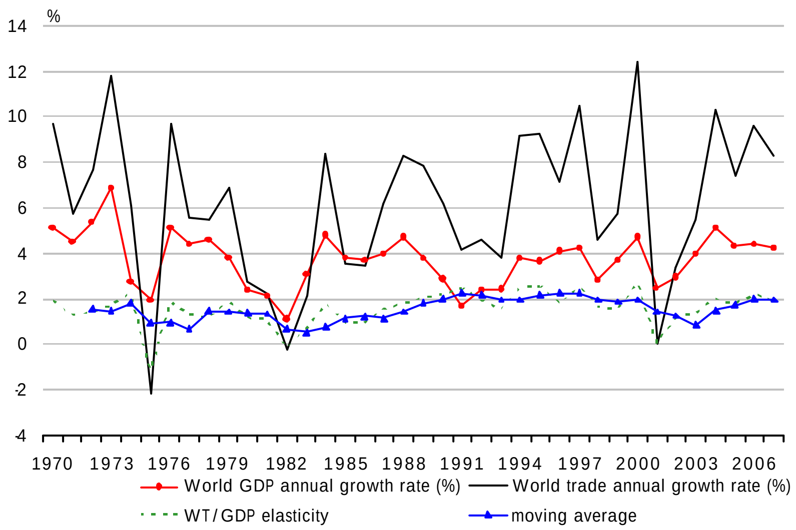
	Autumn 2005		Spring 2006		
	2005	2006	2005	2006	2007
	Annual percentage changes or levels				
GDP volumes					
United States	3.5	3.0	3.5	3.2	3.0
Japan	2.1	2.0	2.8	3.0	2.3
Euro Area	1.3	1.9	1.4	2.0	1.9
China	9.2	8.5	9.9	9.5	9.0
Exchange rates (levels)					
USD / Euro	1.25	1.25	1.25	1.21	1.23
Yen / USD	108.2	108.7	109.9	115.0	111.0
World trade prices (USD)	5.7	1.2	5.5	2.0	0.7
Crude oil (level, Brent, $/b)[a]	56.4	62	54.5	62.1	60.9
Non energy primary commodities[a]	9.3	-0.3	10.1	16.0	-5.0
Manufactured goods[b]	2.2	-0.3	2.2	-0.3	1.3
World trade volume of goods	6.9	8.2	7.4	9.6	8.3

a: AIECE Working Group on Commodities prices Report

b: derived from world export price, oil price ad price of non-energy commodities; expressed in US dollar.

Source: WG forecast

Graph 2. - World trade* elasticity to GDP (in volume terms)



Source: IMF, WG

** Goods and services from 1970 to 2004, WG estimate and forecast (goods) for 2005-2007. World GDP is estimated at PPP basis (source: IMF for the past and WG for forecasts).*

World trade prices will moderate this year, increasing in US dollar terms by 2% after 5.5% in 2005. However, the rise observed in 2005 was mainly due to oil price (more than 40% compared to 2004).

Regarding manufactured goods, world prices[5] rose only by 2.2% in dollar terms, with half of this increase being explained by exchange rates developments. In terms of national currencies, the world price of traded manufactured goods increased by a meagre 1.3% in 2005. This illustrates the lack of inflationary pressure in the world economy despite the rise in oil prices, which reflects well-known structural factors such as emerging competitors with low labour costs or technical progress in the computer industry.

2. Imports and domestic demand

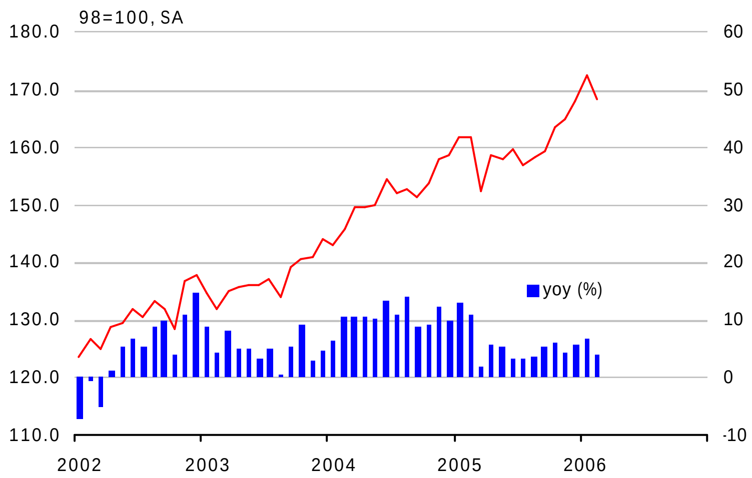
After a substantial pick up at the start of the year, US imports will slightly moderate

After a slowdown at the end of last year the US economy regained strength in the first quarter of 2006. The carry-over for GDP growth at the end of the first quarter of 2006 reached 2.2%, after a 3.5% annual average growth in 2005. Household consumption, which was temporarily depressed at the end of last year, rapidly recovered strength. It benefited from the dynamism of the labour market and the resilience of core inflation; two factors that underpinned the growth of real revenues. This rebound in household demand, combined with a still flourishing international environment, reflected upon corporate investment. Firms are likely to benefit from a favourable economic environment, at least during the first half of 2006. Indeed, financing capacity has been restored and bank credit conditions are still globally attractive. Moreover, hurricane-related spending for relief and reconstruction also supported growth. Foreign trade is thus expected to weigh down on GDP growth in 2006 because of fast-growing imports led by strong internal demand.

However, this favourable outlook may be jeopardized by uncertainty surrounding the housing market. Home sales have already peaked in mid-2005 and this may well affect not only housing investment but also household consumption. Moreover, increasing long-term interest rates would increase debt service paid by households. As a result US imports may decelerate in the second half of 2006. However, after almost stagnating in the first half of 2005, US imports picked up in the rest of the year. This upward trend was confirmed at the start of this year, despite a correction in February. This led to a strong carry-over which will be translated into an annual growth rate of 8% in volume imports this year. A return to trend growth of internal demand, especially private consumption, will lead to a slightly slower import growth in 2007.

[5] In the model, those prices are calculated and derived from total goods prices, energy prices and non energy raw material prices.

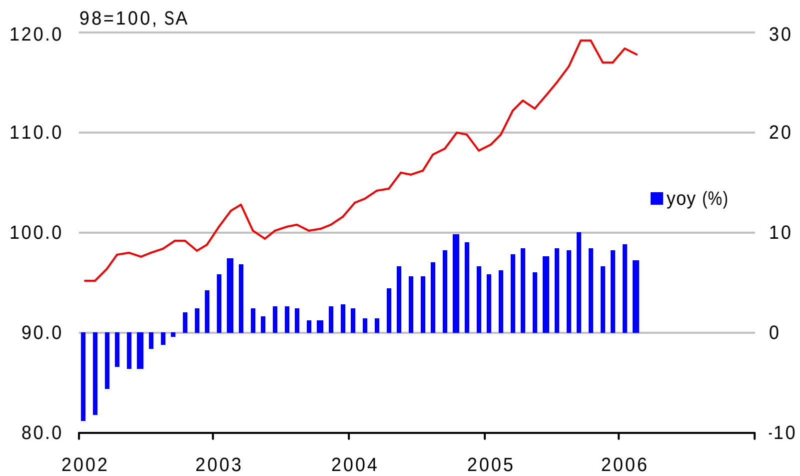
Graph 3. - US imports (in volume terms)



Source: Custom data

The rise in oil prices translated into higher import prices of 6.4% in the US in 2005. The strengthening of the dollar against the Euro in the course of last year had a limited effect on US import prices. In line with the assumption on oil prices and exchange rates, we assume that, on average, the rise in US import prices would be halved to 3.5% this year and would be almost flat next year.

Graph 4. - US imports prices



Source: Custom data

Japan: back to growth and trade

Japanese economic growth reached on average 2.8% last year, after 2.3% in 2004. This result illustrates an acceleration of GDP growth, but also indicates that the contribution of components to growth appears more balanced. This includes a rebound in private consumption associated with private investment boom and firm exports. Moreover, deflation seems to come to an end. In this context, the Bank of Japan (BOJ) decided in March to change its policy. However, the BOJ will be very cautious and wait for higher inflation before tightening the monetary policy. Interest rates should not be increased until the end of the year.

The Japanese growth should accelerate further this year to 3% as many factors are supporting economic activity. We expect particularly resilient exports; especially to China, thanks to the dynamism of world demand. Private investment should also boost Japanese growth. Last but not least, households' consumption should be as vigorous this year as it was in 2005. The improvement in the labour market (job creations and a rise in income) is expected to continue. However, households' consumption should be weakened next year by a less vigorous economic environment, and also by the tightening in fiscal policy. Some tax rebates have already been removed in 2006, others are planned for 2007 and social contributions are increasing.

As global demand is expected to remain firm this year, Japanese imports should not decelerate before 2007. They should increase by 5.5% this year and 5% next year, after their 2.8% increase in 2005[6].

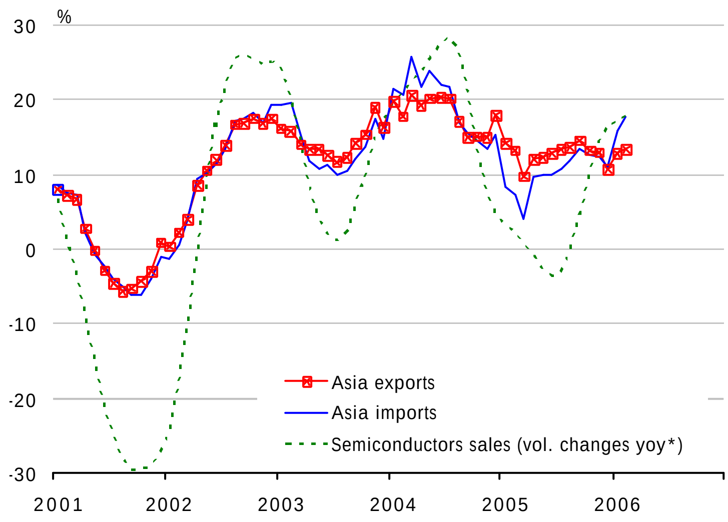
Emerging Asia will remain a leading region for world trade

According to the WTO ranking, China was the third main importer in 2005 (6.1% of world imports), just behind Germany (7.2%) and the United States (16.1%), but ahead of Japan (4.8%). However, an unusual slowdown of imports was observed in the first half of the year. Investments were somewhat weaker then and we saw a drawdown of inventories built up in earlier years. Speculation of a possible appreciation of the Yuan may also have delayed imports for some time. Another, more structural phenomenon, is growing domestic substitution for imports as new capacity comes on stream. But this moderation of Chinese imports appeared as a temporary break. Import growth already accelerated in the second half of last year, and will continue to do so in the first half of this year. Later on, imports may start to decelerate alongside exports, in the context of the slowdown of world economy. Annual growth will thus be around 20% in volume terms in 2006, after 12.5% in 2005. Imports growth will slightly decelerate in 2007 (17%).

Other emerging Asian countries will also register strong import growth in 2006. Private consumption is very dynamic in the region, posting a 5% year on year increase at the end 2005. However, monetary authorities have begun to tighten monetary policy, which could contribute to somewhat moderate internal demand in the coming quarters. Another striking feature of Asian trade is its strong correlation with the electronic cycle. This is not surprising as this sector represents a large share of trade, and especially intra-regional trade (around one-third of total trade). We assume here that a peak may be reached in semiconductor prices mid-2006. Then, downward pressures may affect intra-Asian trade through "the integrated circuit" of electronic industry in the second half of 2006 and in 2007. But total emerging Asia imports growth will still be about 12% next year, well above world trade increase.

[6] A statistical gap exists between custom data deflated by price index (the reference used by the WG), and national accounts data, which displayed an increase of 6.1% of imports of goods and services in volume terms.

Graph 5. - Asian trade and sales of semiconductors (in volume terms)



Source: CPB, Semiconductor Industry Association (SIA)

The deflator of semiconductors sales is unit values that do not take quality increases into account. Therefore, the annual volume growth trend is probably some 10%-points higher.

Latin American imports have been driven by strong internal demand and currencies' appreciation

Latin America's economic situation is expected to be positive in the next two years despite decelerating when compared to the exceptional performance of 2004. GDP growth rate rose by over 4% in 2005, after 6% in 2004. GDP growth should be of the same magnitude in 2006 (4.4%), before a slight slowdown in 2007 (3.9%). Argentina, Venezuela and Chile got the highest growth rate in 2005 (respectively 9.2 and 6.1%). They will still lead the group in the next two years, even if they are going to lose some momentum.

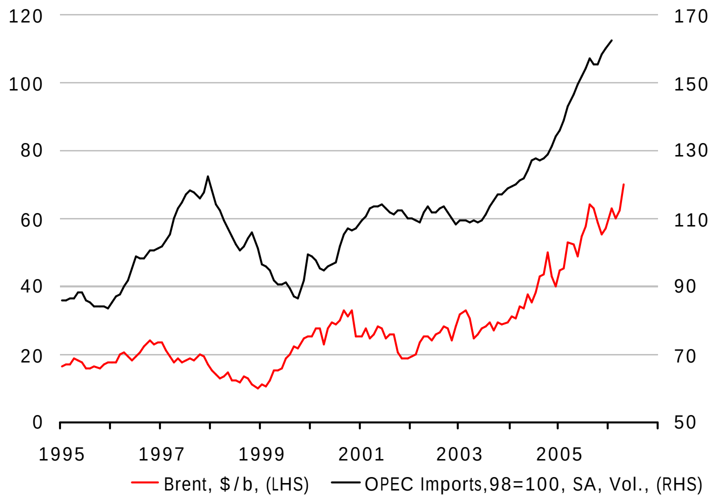
The expansion in the region has been driven by an increase in business investment and good export performances. Therefore, the sound macroeconomic policies which were adopted strengthened investors' confidence and the current account of the region as a whole had a surplus for the third year in a row. The rise in oil prices contributed again significantly to this current account surplus. The strengthening of fiscal position has accompanied the efforts of monetary policies to bring down inflation (Brazil, Chile, Colombia, Mexico and Peru adopted inflation targeting frameworks). However, this tight monetary policy has caused the appreciation of currencies, especially in Chile, Colombia, Brazil and Mexico. In Argentina and Venezuela, the phenomenon has been less pronounced. Main downside risks to the short-term outlook for Latin America include the rise of political uncertainties (Mexico's presidential election will take place in July 2006; Brazil's in October), and the monetary policy's attempt to mitigate the trend to the appreciation of the currencies. Indeed, an expansionary monetary policy is not sustainable in the long run since it contrasts in most of the countries with the objectives set in terms of inflation.

The profile of import volumes in the region should be determined by internal demand and exchange rate movements. They should rise by 8% this year, slightly below the 2005 growth rate, boosted both by strong demand and the currencies appreciation. A slowdown of Latin American import growth is expected next year (6.5%), partly because of lower demand but also because the appreciation of local currencies is not expected to continue.

The oil price rise has boosted oil exporters' revenues and imports

African and Middle Eastern import volumes increased by 14% in 2005, according to the WG estimate. This strong increase covered an even bigger increase for OPEC's imports (probably around 20%[7]). This upward trend in the imports of the region is obviously the consequence of the oil price hike and of the strong rise in non energy raw material price (+10% in 2005 after +21% in 2004 according to the HWWA index).

Graph 6. - Oil prices and OPEC imports (in volume terms)



Source: COE estimates

The increase in oil price also boosted Russian export revenues, which have been partially used to strengthen imports. As a result, Eastern European import volumes (a region which includes mainly Russia and ex soviet republics) increased by 16% last year. This strong growth rate encompassed an even stronger growth for Russia (23%) and a much more moderate one for Ukraine (6%) which was affected by the political turmoil.

Under the assumption of stabilisation of oil prices at a high level, the growth of oil exporters' revenues would moderate. As a consequence, they will adapt, with a lag, the growth of their imports to this less favourable environment.

Acceleration of European imports expected in 2006, followed by moderation next year

Euro area import volumes grew by less than 5% last year, a rate which was the weakest across main regions. This is clearly due to the lack of dynamism of internal demand, especially private consumption. However, it must be noted that the weakness of household demand was mainly

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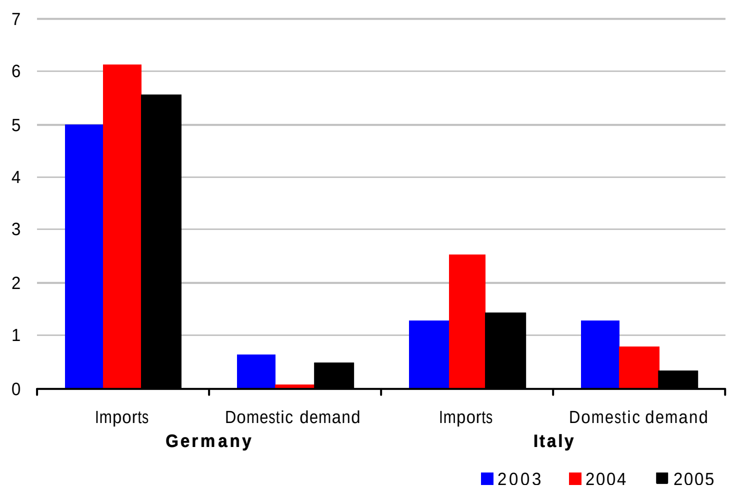
[7] COE estimate bases on exports of main industrial countries (United States, Japan, Germany, France, Italy and UK) to this region.

concentrated in Germany and Italy. It must also be noted that, compared to the near stagnation of German domestic demand; the growth of German imports was actually particularly strong. For a similar growth rate of domestic demand, Italian imports were almost flat last year[8]. This means that the openness of the German domestic market has strongly increased, both because more products are imported from low labour-cost countries and also because the increasing division of labour developed by German firms, especially in Central Europe (e.g. in the car industry). This fragmentation of the production process also has consequences on the export side (see below).

Graph 7. - Import volumes (goods and services) and internal demand (annial growth rate, %)



Source: National Accounts

Even if GDP growth at the end of 2005 was again disappointing in the Euro area, business investments and exports showed signs of recovery. Moreover, the business climate has improved significantly in the Euro area since the beginning of this year, as indicated by the upward trend of the IFO index.

This leaves room for hope in 2006. We expect GDP growth to accelerate to 2% this year. Besides a further rise in exports, internal demand would be supported by a cyclical recovery of investment and by the improvement of the labour market. Moreover, German households may anticipate the rise in VAT scheduled for the 1st January 2007. However, this positive support from German consumption, expected for the second half of 2006, will be counterbalanced by lower private consumption at the

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[8] Italian trade figures in volume terms must be interpreted carefully, as deflators (unit values) growth is almost double than in the average rate in the Euro area. On the import side, Italian unit values grew by 8.7% in 2005, compared to 4.4% in the Euro area as a whole. As neither the exchange rate nor the difference of product mix of imports may explain this discrepancy, this probably means that import volumes are underestimated. Note that the opposite may be true but to a much lesser extent for French import volumes, as French deflators growth is often lower that the Euro average. This was again true in 2005. In that case, one explanation could be that French deflators take quality effects (especially for some consumers goods) more into account, as they are derived from national accounts while German deflators are price index.

beginning of next year. Moreover, a less supportive international environment for the Euro area as a whole may lead to lower export growth, which could impact domestic components of activity.

The Euro area imports volume would thus increase by 7% this year, but their annual growth rate would be limited to 6.3% in 2007. Regarding import prices, the strong increase observed in 2005 (4.4%) would moderate this year (3.5%) and a small decrease is expected in 2007, as a result of the stabilisation of oil prices and a slight appreciation of the euro.

In Central and Eastern European Countries (CEEC) [9], in line with global trends, last year economic growth moderated somewhat. Preliminary figures show that in the NM-8, GDP growth was over 4.5% in 2005 and it was 5.2% in 2004. This growth rate is more than treble that achieved in the Euro area. Within the group, several countries (including the Czech and Slovak Republics and the Baltic States) registered even higher growth rates in 2005 than in 2004, while growth decelerated somewhat in Hungary, Poland, Slovenia and Romania. Economic growth remained strong throughout the region despite rather weak growth in the Euro area and a sharp rise in energy prices. In most CEE countries net exports contributed positively to GDP growth with the notable exception of Bulgaria and Romania. Foreign trade proved the engine of growth in most of the Visegràd countries. In some countries (e.g. Bulgaria, Romania or Slovakia) growth was driven by household consumption. Investments expanded healthily in some countries (e.g. the Baltic States, Hungary, and Slovakia) but remained weak in others (e.g. the Czech Republic or Slovenia).

Following economic activity developments, import expansion was slower, but still above the world average in 2005. This moderation of imports growth was the most spectacular in the Visegràd countries (i.e. Czech Republic, Hungary, Poland, Slovakia and Slovenia). To some extent it can be attributed to base effects, as prior to and shortly after EU accession there was an import boom in the accession countries in 2004. This surge can be explained by the fears of a rise in tax with EU accession.

In the CEEC region as a whole a slight acceleration of GDP growth is expected in 2006. Import demand might also be enhanced by more significant EU transfers in the years to come. As a result, imports volume will grow by 13% in 2006 after 7.9% in 2006 and 11% in 2007.

3. Exports and price competitiveness

Impact of the exchange rate movements on market shares

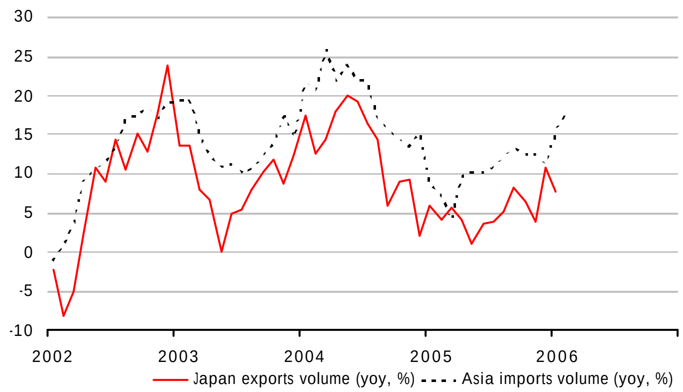
In 2005, exports growth in the Euro area was only 3.9%, half of world trade growth. This is the result of lower intra-regional demand (which accounts for 50% of total trade) as expressed by a moderate increase of the Euro area imports and also the consequence of a loss competitiveness due to past appreciation of the Euro against the dollar. However, the depreciation of the Euro against the dollar in the course of 2005 provided European exporters with fresh air. Under the assumption of slight

[9] In this report, CEEC is the eight Central and Eastern European new EU members (NM-8), more Romania and Bulgaria.

appreciation of the Euro against the American currency in 2006 and 2007, this positive effect will be short lived. As the effects of price competitiveness lag[10], the losses of market shares[11] in the Euro area will be reduced to 1.4% in 2006, after 2.5% in 2005. As a result, the Euro area exports, supported by a more dynamic demand, would increase by more than 7%, almost twice the rate observed in previous years. Due to a moderation of world demand they will increase by 6% in 2007. The magnitude of loss of market shares would be comparable to 2006.

In 2005, exports were again one the main engines of Japanese growth, although they were affected at the start of the year by the weakness of Asian demand, especially regarding Chinese imports. We expect a strong increase in Japanese exports, thanks to the dynamism of world demand -specifically Chinese demand. Indeed, Japanese exports have been revealed to be highly correlated with emerging Asian countries. China accounted for about 17% of Japanese exports of goods in 2004. Japanese products should also benefit from an improved competitiveness thanks to the depreciation of the Yen observed in 2005 (-11% between January 2005 and January 2006 against the dollar). Japanese exports could thus rise by 9.5% in 2006, before decreasing to 7.5% in 2007, in line with the deceleration in world trade. Moreover, although they will try to limit the influence of a renewed appreciation of their currency by reducing their profit margins (export prices are expected to decrease by 1% next year in national currency), Japanese exporters will also suffer from a loss of competitiveness in 2007.

Graph 8. - Japanese exports and emerging Asia imports (in volume terms)



Sources: National sources, CPB

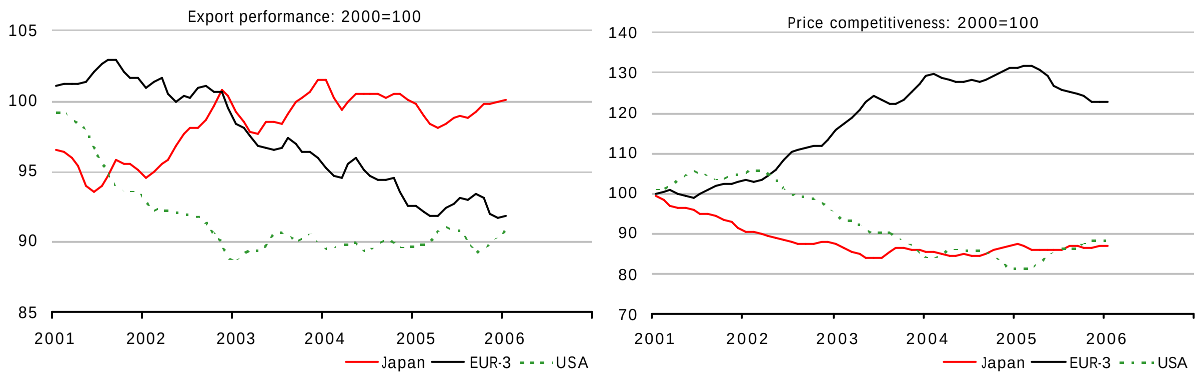
In 2005, American exporters succeeded in keeping their market shares almost constant, with a rise in export volumes of 7.2%. A slight acceleration is expected in 2006, as exports are expected to grow by 8.5% Indeed, strong demand would not be offset by a decline of market shares. Firstly, because effective competitiveness of US exporters continued to benefit from past depreciation of the dollar. Secondly, the appreciation of the US dollar remained limited last year by the fact that most emerging

[10] Current market shares are affected by a lag in price competitiveness.

[11] Change in market shares (or export performance) is defined by the ratio between world demand addressed to a country (or a region) and its exports (in volume terms).

countries' currencies, particularly in Asia, are still pegged, formerly or not, to the US dollar. Until now, the change in the exchange rate regulation in China has not led to a dramatic appreciation in the Chinese currency. In 2007, the slowdown in world demand will be reflected in lower US exports growth (6.5%).

Graph 9. - Export performance and price competitiveness*



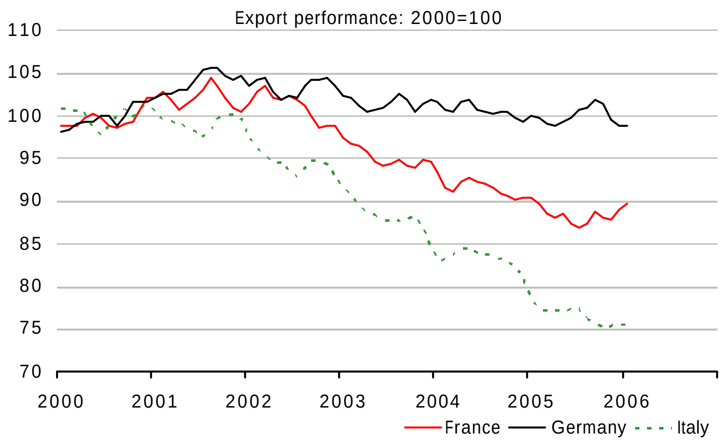
Source: National Sources, COE estimates

export performance: world demand addressed to country i/export volumes of country i; **price competitiveness**: export prices of country i/export prices of competitors of country i in a common currency; **EUR-3**: France, Germany and Italy.

Export performance gap between the Euro area countries would be reduced but would not totally disappear

Since the beginning of the decade, export performance across the Euro area countries has been quite different. German exports have revealed to be very resilient to the Euro appreciation; on the other hand Italy has suffered from huge losses of market shares (around 25 % in volume terms during the last five years).

Graph 10. - Export performance (in volume terms)

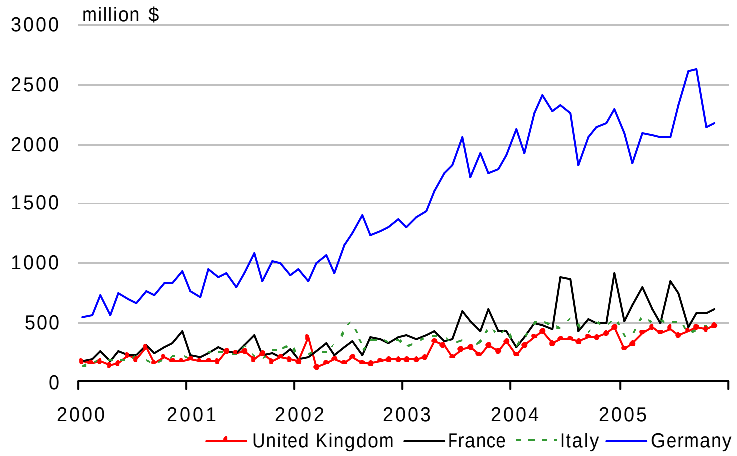


Source: National Sources, COE estimates

However, those figures have to be used carefully as they could have been affected by various statistical problems. On the one hand, around 15% of German exports are actually re-exports (figures for 2002, compared to 5% in 1991)[12]. This a consequence of the relocation of German firms abroad. Those figures are probably higher now as this relocation of German firms abroad, especially in Central Europe, has continued in recent years. In contrast, Italian export prices are probably affected by a statistical bias (as already mentioned above for imports), as they increased by 6% in 2005, this is three times the average rise in the Euro area. Of course, this could be a consequence of higher cost increases as well as a change in specialisation towards goods with a higher unit price[13]. It can be observed that in nominal terms the loss of market shares in Italy is less pronounced. As the same gap in trade prices between Italy and the Euro area exists, it is possible that Italian trade volumes are underestimated, both on the export and imports sides. As a consequence, Italian export performance is probably better than the statistics indicate.

Divergence of export performances between Euro area members is also linked to various factors. Firstly, German exporters have outperformed their European competitors on the most dynamic markets, for example China. This trend² can be explained by the beneficial match between German international specialisation and the demand of emerging countries (especially for equipment goods).

Graph 11. - Exports to China (monthly data)



Source: Global Insight

The labour-costs differential has also been an additional factor in explaining the gap in export performance between the Euro area members. German firms have dramatically improved their cost competitiveness, while the opposite has happened in Italy and Spain. Wage moderation and increasing productivity were the two key elements that lead to this improvement in German competitiveness. However, this process seemed to come to end in 2005. Indeed, staff in industry was cut by 25% in the last fifteen years in German industry. As a result, relative wage costs cannot continue to improve indefinitely in opposition to other Euro area competitors. Recent wage agreement in metal industry also supports this idea.

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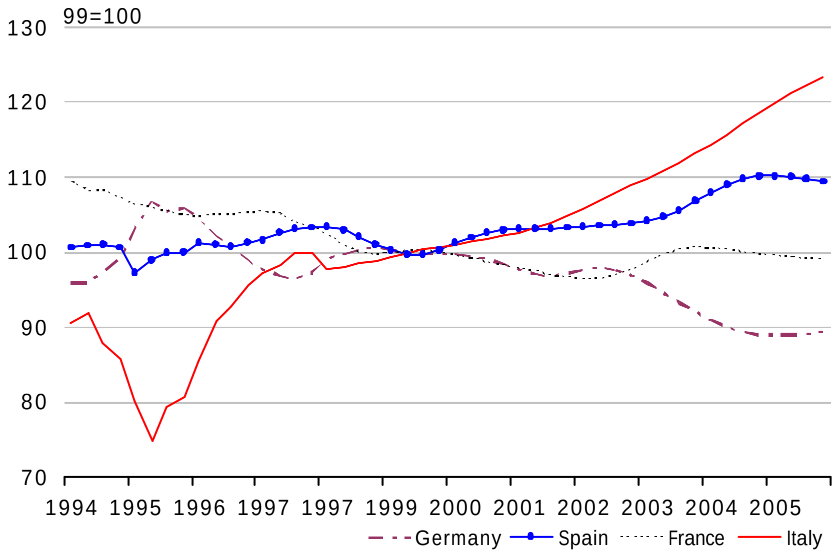
[12] See http://www.destatis.de/download/d/veroe/exportextvoe.pdf for more details.

[13] See the autumn 2005 WG report for a detailed discussion of this point.

Graph 12. - Unit labour costs versus other Euro area countries (manufacturing industry, 1999=100)



Source: European Commission

Consequently, we expect a reduction in export performance differential in the next two years between the Euro area members. However, while German and French exporters will register very limited loss of market shares (slightly more in 2007 than in 2006 as a consequence of the exchange rate developments), Italy and Spain will suffer again from poorer performances.

Emerging competitors will continue to gain market shares

Emerging exporters continued last year to gain market shares (2.6%), while advanced economies suffered from new losses (-2%).

Asia has again experienced the best export performance last year, but those gains were mainly concentrated in China. Indeed, Chinese exports growth only decelerated a little in 2005, although policy induced restrictions on the export of textiles temporarily slowed down the rate of growth in the second half of the year. We expect exports growth to continue at an unabated annual rate above 20%. In 2007, the moderation of world demand would translate into a slowdown in Chinese exports. More generally, for the coming years, Chinese export growth may moderate, trimmed by voluntary restraint measures and a reduction of indirect subsidies.

Latin American countries have also registered last years' gains of market shares. However, the real exchange rates appreciation and the increasing international competition of the Asian exporters are going to negatively influence the export performance of the region in 2006 which is, however, expected to slightly recover in 2007.

After achieving spectacular growth in 2004, the CEEC's exports grew at a slower rate in 2005 (except the Baltic States), but continued to gain substantial market shares. This slowdown can to some extent be attributed to global market trends, but primarily to the slackening demand in the Euro area. The dynamism of export expansion was maintained, despite the weaknesses observable on

EU15 markets, thanks mainly to healthy trade expansion both among the new member states (intra-regional trade) with non-EU member European countries and countries outside Europe. Throughout much of 2005 many CEEC's currencies strengthened in nominal terms against the Euro, furthermore, many CEEC countries suffered from a marked increase in their unit labour costs, notwithstanding they held on in export competition. As usual, export growth prospects in the region will largely be determined by the Euro area import demand. Depreciation of some currencies in the region which were observed recently may also boost price competitiveness, although they can have damaging macro-economic effects.

If raw material producers benefited from a sharp increase in their nominal revenues, their export volumes increased very limitedly in 2005. Russian exports rose only by 4.7% last year, African and Middle Eastern exports growth reached 6%, less than world trade expansion. This gap will continue in 2006 and 2007.

Box 1- Export prices in Russian foreign trade

The record growth of the Russian export was achieved basically due to an exclusively favourable state of affairs on the world market. Despite lower prices for some of the Russian export goods in November 2005, export prices remain at a very high level. The Bank of Russia estimates that, taking into account the Russian export structure as aggregated by goods which includes around 70% of its cost, Russian export prices decreased in November 2005 on average by 3.8%, as compared to the previous month. However, as compared with the respective period of 2004, in January-November 2005 they increased by 35%. In November 2005, against the previous month, the export price of the Russian fuel and energy complex decreased on average by 5%. But in January-November 2005, in comparison with the analogous period of 2004, they were 44% higher. The prices for oil products in November 2005, as compared to the previous month, decreased on average by 11.1% (diesel fuel went down by 13.6%, gasoline by 12.4%, fuel oil by 6.7%). In January-November 2005, as compared to the respective period of 2004, the export prices for oil products were on average 44.2% higher (gasoline went up by 26%, diesel fuel by 44.3%, fuel oil by 50.1%).

Under high dynamics of value, the growth of physical volume of export of goods continues to slow down. The year-on-year increase of export volumes over January-October 2005 reached 3.7% against 10.3% over January-October 2004. The decisive factor in slowing down is contraction of the absolute volumes of oil exports: over 11 months in 2005 the volume of export deliveries of Russian oil made up 212.69 million tons, which is 2.6% less than over the respective period of 2004. The oil export duty in 2005 was another important factor behind such developments. From 1 December 2004 to 31 January 2005, the duty was USD101/t. For the period of 1 February to 31 March, it was reduced to USD83/t because of a slight fall in oil prices on the world market. From April to 31 May the duty was USD102.6/t, from 1 June to 31 July – USD136.2/t, from 1 August to 30 September – USD140/t, from 1 October to 30 November – USD179.9/t, and since 1 December - USD179.6/t.

In January-November 2005 the earnings of the Russian oil exporters had grown by 43.7% and reached close to USD72 billion in contrast to USD50 billion gained over the respective period of 2004. The proportional weight of the oil export in the volume of Russian exports in January-November 2005 was 33% and in the export of fuel and energy goods it was 54% (in January–November 2004 these indicators were 32.6% and 56.6% respectively).

By contrast, the import of goods is characterized by high growth rates of actual volumes: over January-October 2005, import volumes were up by 22.9%, while import prices increased only by+5.7%. The continued large-scale expansion of imports is determined by the high dynamics of enterprises and population incomes under the considerable Rubble appreciation.

Prepared by IKCHZ

4. Trade balances

Transfers between oil producers and consumers would be limited in 2006 and should reverse next year

As a consequence of the oil price surge and, more generally, of the increase in raw material prices raw material producers' trade balance improved dramatically last year. For instance, African and Middle Eastern countries registered a trade surplus of USD330 billion against USD221billion in 2004. This is also the case for Russia. Under the assumptions regarding the oil price developments, additional transfer will be more limited next year. In 2007, continuous imports volumes growth combined with a slight decline in export prices in this region might translate into lower trade surpluses.

No improvement in trade imbalances in sight

Developments in exports and imports would not help to reduce major imbalances in the world economy. Indeed, no further improvement can be expected.

Although nominal exports and imports of goods would increase by a similar rate, base effect would continue to widen the US trade deficit. In this context, the current account deficit may be approaching the symbolic figure of USD1 000 billion in 2007.

By contrast, last year China registered a huge trade surplus, which will be confirmed in 2006 and 2007.

Table 2. - **China's current balance**

	2001	2002	2003	2004	2005	2006	2007
Exports customs	266	326	438	593	762	946	1134
Imports customs	244	295	413	561	661	814	957
Trade balance customs	23	30	25	32	101	132	177
Trade balance BoP	34	44	45	59	133	171	235
Current balance BoP	17	35	46	69	155	192	247
Idem % GDP	1.3	2.4	2.8	3.6	7.0	7.1	7.9

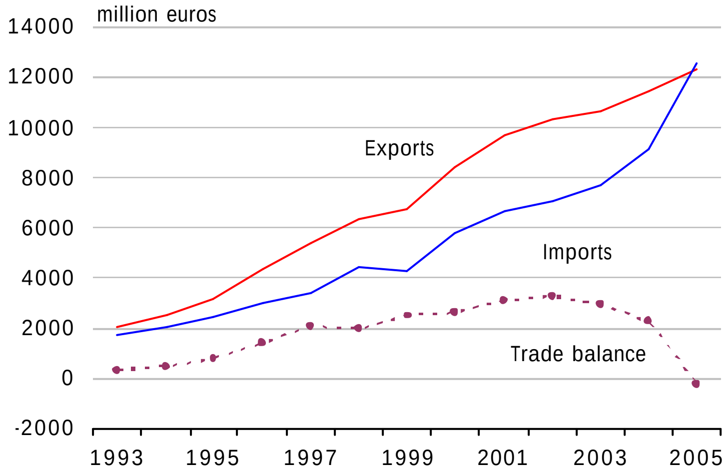
Source: National statistics, CPB calculations based on WG estimates

Of course those trade imbalances have financial counterparts but this "equilibrium of imbalances" is a major threat to world economy, especially on the US dollar.

Other striking features of trade balances concern the CEEC. Trade balance improved in four of the ten CEE countries, notably in the Czech Republic (actually it achieved a surplus for the first time during the modern history of the Czech Republic), Hungary, Poland and Latvia. Estonia and Slovenia had a trade deficit similar to those in the previous year, while the deficit increased further in Slovakia, Lithuania, Bulgaria and Romania.

It also must be noticed that bilateral trade of new members with EU-15 countries recently improved significantly. For instance this is the case between France and NM-8. This new trend can have structural roots, as it may highlight a new division of labour in Europe, with an increasing share of industrial activities located in NM-8.

Graph 13. - France-NM-8 trade balance



Source : Global Insight

Annex Detailed international trade tables

Summary of World Trade	2005	2006	2007
	Annual percentage changes		
World trade volume of total goods	7.3	9.6	8.3
World trade price in US dollars			
Total goods	5.6	2.0	0.7
idem national currencies	4.7	3.0	0.1
of which			
Manufactures	2.2	– 0.3	1.3
idem national currencies (export weighted)	1.3	0.8	0.5
Oil (fob)	42.5	14.0	– 2.0
Non-fuel primary commodities (HWWA)	10.1	16.0	– 5.0
Effective exchange rate dollar			
export weighted	0.9	– 1.0	0.6
import weighted	0.8	– 1.0	0.6

Table 1a Spot exchange rates (in US dollar)

	2005	2006	2007
	Units of national currency per US dollar		
Germany	0.805	0.826	0.813
France	0.805	0.826	0.813
Italy	0.805	0.826	0.813
Spain	0.805	0.826	0.813
Netherlands	0.805	0.826	0.813
Belgium/Luxemburg	0.805	0.826	0.813
Austria	0.805	0.826	0.813
Finland	0.805	0.826	0.813
Greece	0.805	0.826	0.813
Portugal	0.805	0.826	0.813
Ireland	0.805	0.826	0.813
United Kingdom	0.548	0.560	0.560
Sweden	7.472	7.721	7.597
Denmark	5.996	6.126	6.074
Switzerland	1.246	1.285	1.274
Norway	6.443	6.732	6.893
United States	1.000	1.000	1.000
Canada	1.210	1.140	1.140
Japan	109.94	115.00	111.00
Czech Republic	23.960	24.145	24.145
Hungary	199.65	209.00	205.00
Poland	3.236	3.250	3.250
Slovak Republic	31.057	31.562	31.562
Slovenia	192.78	198.00	198.00
Other transition	1.000	1.000	1.000
Anies	0.985	0.992	0.992
Other Asia	1.000	1.000	1.000
China	8.194	8.076	8.076
Africa + Middle East	1.000	1.000	1.000
Latin America	1.000	1.000	1.000

Table 1b Spot exchange rates (in euro)

	2005	2006	2007
	Euros per unit of national currency		
Germany	1.000	1.000	1.000
France	1.000	1.000	1.000
Italy	1.000	1.000	1.000
Spain	1.000	1.000	1.000
Netherlands	1.000	1.000	1.000
Belgium/Luxemburg	1.000	1.000	1.000
Austria	1.000	1.000	1.000
Finland	1.000	1.000	1.000
Greece	1.000	1.000	1.000
Portugal	1.000	1.000	1.000
Ireland	1.000	1.000	1.000
United Kingdom	1.468	1.475	1.452
Sweden	0.108	0.107	0.107
Denmark	0.134	0.135	0.134
Switzerland	0.646	0.643	0.638
Norway	0.125	0.123	0.118
United States	0.805	0.826	0.813
Canada	0.665	0.725	0.713
Japan (/ 100)	0.732	0.718	0.732
Czech Republic	0.034	0.034	0.034
Hungary	0.004	0.004	0.004
Poland	0.249	0.254	0.250
Slovenia	0.004	0.004	0.004
Slovak Republic	0.026	0.026	0.026
Other transition	0.805	0.826	0.813
Anies	0.816	0.832	0.819
Other Asia	0.805	0.826	0.813
China	0.098	0.102	0.101
Africa + Middle East	0.805	0.826	0.813
Latin America	0.805	0.826	0.813

Table 2 Merchandise trade volumes and export market growth

Table 2a Export volumes

	2005	2006	2007
	Annual percentage changes		
Total World	7.3	9.5	8.3
Advanced economies	4.8	7.4	6.3
European Union 15	4.4	7.4	6.3
Euro area	3.9	7.1	6.1
Germany	6.1	8.5	7.0
France	3.6	8.0	6.5
Italy	– 0.5	4.2	3.0
Spain	– 0.4	3.0	4.0
Netherlands	6.0	8.0	7.5
Belgium/Luxemburg	2.8	7.0	6.0
Austria	3.2	7.0	6.0
Finland	7.8	10.0	6.5
Greece	4.8	4.1	3.8
Portugal	2.9	3.0	5.7
Ireland	2.7	5.0	6.0
United Kingdom	7.9	9.0	7.5
Sweden	4.7	9.0	8.5
Denmark	6.9	6.5	4.1
Switzerland	3.5	3.5	5.7
Norway	0.5	– 0.3	4.5
United States	7.2	8.5	6.5
Canada	3.7	6.0	5.5
Japan	5.5	9.5	7.5
Emerging markets	10.5	11.9	10.4
Central + Eastern Europe	7.8	10.4	7.9
Czech Republic	10.1	15.0	12.0
Hungary	10.8	14.0	12.0
Poland	12.0	8.1	7.9
Slovak Republic	9.8	15.0	12.0
Slovenia	12.6	11.9	10.6
Other transition	4.5	9.0	5.5
Asia	12.2	15.0	13.0
Anies	9.4	13.4	11.8
China	22.0	22.9	19.3
Other Asia	8.4	10.4	8.8
Africa + Middle East	6.0	4.0	4.5
Latin America	10.0	7.5	7.0

Table 2b Import volumes

	2005	2006	2007
	Annual percentage changes		
Total World	7.4	9.7	8.3
Advanced economies	5.5	7.1	6.3
European Union 15	5.0	7.0	6.2
Euro area	4.8	7.2	6.3
Germany	4.3	8.0	6.0
France	7.1	9.0	8.0
Italy	0.0	3.7	3.3
Spain	7.0	6.3	6.0
Netherlands	5.6	8.0	7.8
Belgium/Luxemburg	5.5	8.0	6.0
Austria	1.9	5.5	5.4
Finland	11.3	8.4	7.9
Greece	0.5	4.0	3.8
Portugal	5.2	3.9	6.4
Ireland	3.6	4.9	6.4
United Kingdom	5.5	5.0	5.5
Sweden	7.3	9.0	7.0
Denmark	8.0	11.5	6.5
Switzerland	3.9	5.4	5.9
Norway	6.7	7.1	3.1
United States	6.9	8.0	7.0
Canada	6.0	7.0	6.0
Japan	2.8	5.5	5.0
Emerging markets	10.6	13.7	11.2
Central + Eastern Europe	10.5	12.9	11.5
Czech Republic	4.3	13.0	11.0
Hungary	5.3	12.5	12.0
Poland	6.0	9.0	11.0
Slovak Republic	10.5	13.0	11.0
Slovenia	11.9	12.5	11.5
Other transition	13.2	15.5	12.2
Asia	10.0	15.0	12.0
Anies	5.8	11.3	9.0
China	12.7	21.3	17.0
Other Asia	13.2	14.3	11.5
Africa + Middle East	14.0	15.0	12.0
Latin America	9.5	8.0	6.5

Table 2 Merchandise trade volumes and export market growth (continued)

Table 2c Export market growth[a]

	2005	2006	2007
	Annual percentage changes		
Total World	7.4	9.7	8.3
Advanced economies	7.0	9.1	7.8
European Union 15	6.6	8.7	7.6
Euro area	6.5	8.6	7.6
Germany	6.6	8.8	7.9
France	6.4	8.4	7.2
Italy	7.3	9.3	8.1
Spain	6.3	8.1	7.3
Netherlands	6.0	8.2	6.9
Belgium/Luxemburg	6.4	8.5	7.4
Austria	5.9	9.0	7.7
Finland	7.5	9.8	8.2
Greece	7.5	9.6	8.2
Portugal	6.4	7.9	6.9
Ireland	6.2	7.7	6.8
United Kingdom	6.8	8.8	7.6
Sweden	7.1	9.0	7.5
Denmark	6.6	8.5	7.1
Switzerland	6.4	8.7	7.4
Norway	6.5	7.9	6.9
United States	7.5	9.2	7.7
Canada	7.0	8.4	7.3
Japan	8.4	11.4	9.5
Emerging markets	7.9	10.4	8.8
Central + Eastern Europe	8.0	11.0	9.3
Czech Republic	7.5	10.4	8.9
Hungary	6.4	9.3	7.9
Poland	6.7	9.7	7.9
Slovak Republic	5.6	10.8	9.4
Slovenia	6.0	9.2	7.7
Other transition	8.8	11.7	10.0
Asia	8.0	10.8	9.0
Anies	8.8	11.0	9.2
China	6.6	9.3	7.8
Other Asia	8.1	11.6	9.8
Africa + Middle East	7.6	9.5	8.3
Latin America	7.5	8.6	7.4

[a] Export market growth is the weighted average of growth of import volumes in the geographical markets of each exporting country.

Table 2d Export performance [a]

	2005	2006	2007
	Annual percentage changes		
Total World	– 0.1	– 0.2	0.0
Advanced economies	– 2.0	– 1.5	– 1.4
European Union 15	– 2.0	– 1.2	– 1.2
Euro area	– 2.5	– 1.4	– 1.4
Germany	– 0.5	– 0.3	– 0.8
France	– 2.6	– 0.3	– 0.7
Italy	– 7.3	– 4.6	– 4.7
Spain	– 6.3	– 4.7	– 3.1
Netherlands	0.0	– 0.2	0.6
Belgium/Luxemburg	– 3.3	– 1.4	– 1.3
Austria	– 2.5	– 1.8	– 1.6
Finland	0.2	0.2	– 1.6
Greece	– 2.5	– 5.0	– 4.0
Portugal	– 3.3	– 4.6	– 1.1
Ireland	– 3.3	– 2.5	– 0.7
United Kingdom	1.0	0.2	– 0.1
Sweden	– 2.3	0.0	1.0
Denmark	0.3	– 1.8	– 2.8
Switzerland	– 2.7	– 4.8	– 1.7
Norway	– 5.6	– 7.6	– 2.3
United States	– 0.3	– 0.6	– 1.2
Canada	– 3.1	– 2.2	– 1.7
Japan	– 2.7	– 1.7	– 1.9
Emerging markets	2.5	1.4	1.5
Central + Eastern Europe	– 0.2	– 0.5	– 1.3
Czech Republic	2.4	4.1	2.9
Hungary	4.2	4.3	3.8
Poland	5.0	– 1.5	0.0
Slovak Republic	4.0	3.8	2.4
Slovenia	6.2	2.5	2.7
Other transition	– 4.0	– 2.4	– 4.1
Asia	4.0	3.8	3.6
Anies	0.5	2.2	2.4
China	14.5	12.4	10.6
Other Asia	0.3	– 1.1	– 0.9
Africa + Middle East	– 1.5	– 5.0	– 3.5
Latin America	2.3	– 1.0	– 0.3

[a] Export performance is the ratio of export volume to export markets for total goods.

Table 3. Prices in US dollars, terms of trade and appreciation against the dollar

Table 3a Export prices in dollars

	2005	2006	2007
	Annual percentage changes		
Total World	5.9	1.8	0.7
Advanced economies	3.6	0.7	1.4
European Union 15	2.7	– 0.4	1.7
Euro area	2.8	– 0.8	1.8
Germany	1.3	– 1.4	2.1
France	1.0	– 1.9	1.8
Italy	6.2	– 0.6	2.8
Spain	5.3	– 0.4	1.4
Netherlands	3.2	0.4	0.5
Belgium/Luxemburg	6.8	1.1	2.1
Austria	1.5	– 1.6	2.1
Finland	– 0.7	– 1.4	0.9
Greece	2.6	– 0.1	3.6
Portugal	3.5	0.4	1.7
Ireland	2.6	– 0.1	1.2
United Kingdom	1.4	2.0	1.0
Sweden	1.6	– 1.0	0.6
Denmark	4.5	0.8	2.2
Switzerland	3.2	– 0.1	0.5
Norway	27.5	2.2	– 5.9
United States	3.2	2.8	1.0
Canada	9.7	8.6	0.0
Japan	0.4	– 1.3	2.6
Emerging markets	8.7	3.0	0.0
Central + Eastern Europe	16.8	4.5	– 0.5
Czech Republic	5.8	0.5	0.3
Hungary	0.7	– 1.4	0.4
Poland	7.8	2.5	– 0.2
Slovak Republic	5.3	0.4	0.3
Slovenia	3.5	1.1	2.5
Other transition	28.0	7.3	– 1.0
Asia	3.8	1.7	0.5
Anies	2.5	1.2	0.5
China	3.5	1.2	0.5
Other Asia	5.5	2.5	0.5
Africa + Middle East	25.0	8.5	– 1.0
Latin America	8.0	2.2	– 1.0

Table 3b **Import prices in dollars**

	2005	2006	2007
	Annual percentage changes		
Total World	5.4	2.2	0.7
Advanced economies	5.6	2.3	0.9
European Union 15	4.2	0.9	1.2
Euro area	4.5	0.8	1.2
Germany	4.4	1.3	1.1
France	3.0	– 1.1	1.6
Italy	8.8	0.8	1.1
Spain	3.8	0.6	1.4
Netherlands	3.6	0.8	0.6
Belgium/Luxemburg	7.4	2.8	1.6
Austria	3.0	– 0.9	2.4
Finland	2.9	2.7	– 0.3
Greece	2.4	– 0.5	3.2
Portugal	4.6	1.8	0.9
Ireland	– 0.4	1.8	0.9
United Kingdom	2.7	1.8	1.0
Sweden	3.1	– 0.6	0.2
Denmark	3.8	1.6	2.6
Switzerland	5.7	1.3	0.2
Norway	7.9	– 0.4	– 2.7
United States	6.4	3.5	0.2
Canada	8.2	6.2	0.5
Japan	11.4	6.1	2.6
Emerging markets	5.0	2.1	0.5
Central + Eastern Europe	7.1	2.8	0.5
Czech Republic	7.6	0.9	0.2
Hungary	3.0	1.1	0.2
Poland	7.8	2.4	– 0.4
Slovak Republic	6.7	0.9	0.2
Slovenia	6.4	3.5	4.5
Other transition	8.5	3.5	1.0
Asia	4.1	2.0	0.5
Anies	5.1	2.0	0.5
China	2.9	2.0	0.5
Other Asia	3.9	2.0	0.5
Africa + Middle East	5.0	1.2	0.5
Latin America	5.5	2.5	0.4

Table 3. Prices in US dollars, terms of trade and appreciation against the dollar (continued)

Table 3c Terms of trade

	2005	2006	2007
	Annual percentage changes		
Total World	0.4	– 0.5	0.0
Advanced economies	– 2.1	– 1.4	0.3
European Union 15	– 1.5	– 1.3	0.5
Euro area	– 1.6	– 1.6	0.6
Germany	– 3.0	– 2.6	1.0
France	– 1.9	– 0.7	0.2
Italy	– 2.4	– 1.4	1.7
Spain	1.4	– 1.0	0.0
Netherlands	– 0.4	– 0.4	– 0.1
Belgium/Luxemburg	– 0.5	– 1.7	0.5
Austria	– 1.5	– 0.6	– 0.3
Finland	– 3.5	– 3.9	1.2
Greece	0.2	0.4	0.4
Portugal	– 1.1	– 1.4	0.8
Ireland	3.0	– 1.9	0.3
United Kingdom	– 1.3	0.2	0.0
Sweden	– 1.4	– 0.4	0.4
Denmark	0.7	– 0.8	– 0.4
Switzerland	– 2.3	– 1.4	0.3
Norway	18.1	2.6	– 3.2
United States	– 3.0	– 0.7	0.7
Canada	1.4	2.2	– 0.5
Japan	– 9.9	– 7.0	0.0
Emerging markets	3.8	0.8	– 0.5
Central + Eastern Europe	9.8	1.5	– 0.9
Czech Republic	– 1.7	– 0.4	0.1
Hungary	– 2.2	– 2.4	0.2
Poland	0.0	0.0	0.2
Slovak Republic	– 1.3	– 0.4	0.1
Slovenia	– 2.7	– 2.3	– 1.9
Other transition	18.0	3.6	– 2.0
Asia	– 0.2	– 0.4	0.0
Anies	– 2.5	– 0.7	0.0
China	0.6	– 0.8	0.0
Other Asia	1.5	0.5	0.0
Africa + Middle East	19.0	7.2	– 1.5
Latin America	2.4	– 0.2	– 1.4

Table 3d **Appreciation against US dollar, with export weighted totals**

	2005	2006	2007
	Annual percentage changes		
Total World	0.9	– 1.0	0.6
Advanced economies	0.4	– 1.8	1.2
European Union 15	– 0.1	– 2.5	1.4
Euro area	0.1	– 2.6	1.6
Germany	0.1	– 2.6	1.6
France	0.1	– 2.6	1.6
Italy	0.1	– 2.6	1.6
Spain	0.1	– 2.6	1.6
Netherlands	0.1	– 2.6	1.6
Belgium/Luxemburg	0.1	– 2.6	1.6
Austria	0.1	– 2.6	1.6
Finland	0.1	– 2.6	1.6
Greece	0.1	– 2.6	1.6
Portugal	0.1	– 2.6	1.6
Ireland	0.1	– 2.6	1.6
United Kingdom	– 0.4	– 2.1	0.0
Sweden	– 1.7	– 3.2	1.6
Denmark	– 0.1	– 2.1	0.9
Switzerland	– 0.2	– 3.1	0.9
Norway	4.6	– 4.3	– 2.3
United States	0.0	0.0	0.0
Canada	7.6	6.2	0.0
Japan	– 1.6	– 4.4	3.6
Emerging markets	1.5	0.0	0.0
Central + Eastern Europe	2.9	– 0.6	0.1
Czech Republic	7.3	– 0.8	0.0
Hungary	1.6	– 4.5	2.0
Poland	12.9	– 0.4	0.0
Slovak Republic	3.8	– 1.6	0.0
Slovenia	– 0.1	– 2.6	0.0
Other transition	0.0	0.0	0.0
Asia	1.7	0.2	0.0
Anies	3.9	– 0.7	0.0
China	1.0	1.5	0.0
Other Asia	0.0	0.0	0.0
Africa + Middle East	0.0	0.0	0.0
Latin America	0.0	0.0	0.0

Table 4. Relative import prices in national currencies and effective appreciation against supplying countries

Table 4a Import prices in national currencies

	2005	2006	2007
	Annual percentage changes		
Total World	4.5	3.3	0.1
Advanced economies	5.3	4.0	– 0.1
European Union 15	4.3	3.5	– 0.2
Euro area	4.4	3.5	– 0.4
Germany	4.3	4.0	– 0.5
France	2.9	1.5	0.0
Italy	8.7	3.5	– 0.5
Spain	3.7	3.3	– 0.2
Netherlands	3.5	3.5	– 1.0
Belgium/Luxemburg	7.3	5.6	0.0
Austria	2.9	1.7	0.8
Finland	2.8	5.4	– 1.9
Greece	2.3	2.1	1.6
Portugal	4.6	4.6	– 0.7
Ireland	– 0.4	4.6	– 0.7
United Kingdom	3.1	4.0	1.0
Sweden	4.8	2.7	– 1.4
Denmark	3.9	3.8	1.7
Sw itzerland	5.9	4.6	– 0.7
Norway	3.2	4.1	– 0.4
United States	6.4	3.5	0.3
Canada	0.6	0.0	0.5
Japan	13.2	11.0	– 1.0
Emerging markets	3.3	2.2	0.5
Central + Eastern Europe	3.4	3.6	0.3
Czech Republic	0.3	1.7	0.2
Hungary	1.4	5.8	– 1.7
Poland	– 4.5	2.9	– 0.4
Slovak Republic	2.8	2.5	0.2
Slovenia	6.5	6.3	4.5
Other transition	8.5	3.5	1.0
Asia	2.3	1.9	0.5
Anies	1.1	2.7	0.5
China	1.9	0.5	0.5
Other Asia	3.9	2.0	0.5
Africa + Middle East	5.0	1.3	0.5
Latin America	5.5	2.5	0.4

Table 4b Calculated import prices in national currencies[a]

	2005	2006	2007
	Annual percentage changes		
Total World	5.0	2.8	0.1
Advanced economies	5.4	3.4	– 0.3
European Union 15	5.7	3.7	– 0.5
Euro area	5.5	3.8	– 0.7
Germany	5.5	3.8	– 0.7
France	5.5	3.7	– 0.5
Italy	5.9	3.9	– 0.7
Spain	5.9	3.9	– 0.6
Netherlands	6.3	4.2	– 0.8
Belgium/Luxemburg	4.1	3.3	– 0.6
Austria	3.9	2.7	– 0.2
Finland	7.8	4.4	– 1.0
Greece	5.8	3.8	– 0.5
Portugal	5.5	3.4	– 0.4
Ireland	6.1	4.9	– 0.9
United Kingdom	6.1	3.3	0.8
Sweden	7.7	4.2	– 1.0
Denmark	5.1	2.7	– 0.2
Switzerland	5.5	4.0	0.4
Norway	– 0.7	5.2	3.5
United States	6.0	2.6	0.4
Canada	– 3.2	– 3.6	0.8
Japan	9.0	7.5	– 3.1
Emerging markets	4.4	2.0	0.6
Central + Eastern Europe	5.5	3.0	0.4
Czech Republic	– 0.6	1.8	0.9
Hungary	5.4	5.9	– 1.0
Poland	– 5.9	1.5	0.9
Slovak Republic	9.9	5.0	0.0
Slovenia	4.8	2.7	1.4
Other transition	11.3	3.0	0.3
Asia	3.2	1.6	0.7
Anies	0.3	2.1	0.8
China	5.4	0.6	0.7
Other Asia	5.0	1.7	0.7
Africa + Middle East	6.4	2.0	0.7
Latin America	5.4	2.1	0.5

[a] Import price change calculated under the assumption that for each individual supplier the export price change to that country is the same as the total export price change of that supplier. This condition is satisfied if the suppliers charge all importers the same price.

Table 4. Relative import prices in national currencies and effective appreciation against supplying countries (continued)

Table 4c Relative import prices in a common currency[a]

	2005	2006	2007
	Annual percentage changes		
Total World	– 0.5	0.4	0.0
Advanced economies	– 0.1	0.6	0.2
European Union 15	– 1.4	– 0.2	0.3
Euro area	– 1.0	– 0.3	0.3
Germany	– 1.1	0.2	0.2
France	– 2.4	– 2.1	0.5
Italy	2.6	– 0.4	0.2
Spain	– 2.0	– 0.6	0.4
Netherlands	– 2.6	– 0.7	– 0.2
Belgium/Luxemburg	3.0	2.2	0.6
Austria	– 1.0	– 1.0	1.0
Finland	– 4.6	1.0	– 0.9
Greece	– 3.3	– 1.6	2.1
Portugal	– 0.8	1.2	– 0.3
Ireland	– 6.1	– 0.3	0.2
United Kingdom	– 2.9	0.7	0.2
Sweden	– 2.7	– 1.4	– 0.4
Denmark	– 1.2	1.1	1.9
Switzerland	0.3	0.5	– 1.1
Norway	3.9	– 1.1	– 3.7
United States	0.4	0.8	– 0.2
Canada	4.0	3.7	– 0.3
Japan	3.9	3.3	2.2
Emerging markets	– 1.0	0.2	– 0.2
Central + Eastern Europe	– 2.0	0.6	– 0.1
Czech Republic	0.9	– 0.1	– 0.7
Hungary	– 3.8	– 0.1	– 0.8
Poland	1.5	1.4	– 1.3
Slovak Republic	– 6.5	– 2.4	0.2
Slovenia	1.6	3.5	3.1
Other transition	– 2.5	0.5	0.7
Asia	– 0.9	0.3	– 0.2
Anies	0.8	0.5	– 0.3
China	– 3.4	– 0.1	– 0.2
Other Asia	– 1.0	0.3	– 0.2
Africa + Middle East	– 1.4	– 0.7	– 0.2
Latin America	0.1	0.4	0.0

[a] The relative import price is the ratio of import price to calculated import price.

Table 4d **Effective appreciation against supplying countries**

	2005	2006	2007
	Annual percentage changes		
Total World	0.0	0.0	0.0
Advanced economies	– 0.5	– 0.8	0.5
European Union 15	– 0.7	– 0.8	0.5
Euro area	– 0.5	– 0.8	0.7
Germany	– 1.0	– 0.9	0.7
France	– 0.3	– 0.7	0.6
Italy	– 0.4	– 0.9	0.7
Spain	– 0.2	– 0.9	0.7
Netherlands	– 0.5	– 1.1	0.9
Belgium/Luxemburg	– 0.2	– 0.7	0.6
Austria	– 0.6	– 0.4	0.4
Finland	– 0.4	– 0.9	0.9
Greece	– 0.5	– 0.8	0.6
Portugal	– 0.2	– 0.6	0.5
Ireland	– 0.3	– 1.1	1.2
United Kingdom	– 1.1	– 0.5	– 0.8
Sweden	– 2.4	– 1.2	0.9
Denmark	– 0.9	0.0	0.0
Switzerland	– 0.5	– 1.3	– 0.2
Norway	4.4	– 2.4	– 3.3
United States	– 1.7	– 0.2	– 0.5
Canada	7.3	6.6	– 0.2
Japan	– 2.6	– 4.4	3.5
Emerging markets	0.6	0.9	– 0.5
Central + Eastern Europe	1.7	0.7	– 0.5
Czech Republic	5.8	1.0	– 0.8
Hungary	0.7	– 2.9	1.1
Poland	12.0	1.2	– 0.8
Slovak Republic	1.7	– 0.7	– 0.4
Slovenia	– 0.9	– 0.5	– 1.1
Other transition	– 1.3	1.0	– 0.5
Asia	0.8	1.0	– 0.6
Anies	3.1	– 0.1	– 0.5
China	0.7	2.5	– 0.7
Other Asia	– 1.6	1.0	– 0.5
Africa + Middle East	– 0.7	1.1	– 0.6
Latin America	– 0.4	0.6	– 0.4

Table 5. Relative export prices in national currencies and effective appreciation against competing countries

Table 5a Export prices in national currencies

	2005	2006	2007
	Annual percentage changes		
Total World	4.9	2.8	0.1
Advanced economies	3.1	2.5	0.2
European Union 15	2.7	2.2	0.3
Euro area	2.8	1.8	0.2
Germany	1.2	1.3	0.5
France	0.9	0.8	0.2
Italy	6.1	2.0	1.2
Spain	5.2	2.3	– 0.2
Netherlands	3.1	3.0	– 1.1
Belgium/Luxemburg	6.7	3.8	0.5
Austria	1.4	1.0	0.5
Finland	– 0.8	1.3	– 0.7
Greece	2.5	2.5	2.0
Portugal	3.4	3.0	0.1
Ireland	2.5	2.5	– 0.4
United Kingdom	1.8	4.3	1.0
Sweden	3.3	2.3	– 1.0
Denmark	4.6	3.0	1.3
Switzerland	3.4	3.0	– 0.4
Norway	21.9	6.8	– 3.6
United States	3.2	2.8	1.0
Canada	2.0	2.3	0.0
Japan	2.0	3.3	– 1.0
Emerging markets	7.2	3.0	0.0
Central + Eastern Europe	13.6	5.2	– 0.6
Czech Republic	– 1.4	1.3	0.3
Hungary	– 0.8	3.3	– 1.5
Poland	– 4.5	3.0	– 0.2
Slovak Republic	1.4	2.1	0.3
Slovenia	3.6	3.9	2.5
Other transition	28.0	7.2	– 1.0
Asia	2.1	1.5	0.5
Anies	– 1.4	1.9	0.5
China	2.5	– 0.2	0.5
Other Asia	5.5	2.5	0.5
Africa + Middle East	25.0	8.5	– 1.0
Latin America	8.0	2.3	– 1.0

Table 5b **Export prices of competitors**[a]

	2005	2006	2007
	Annual percentage changes		
Total World	4.4	3.2	0.1
Advanced economies	4.7	3.9	– 0.4
European Union 15	5.0	4.2	– 0.5
Euro area	4.9	4.2	– 0.7
Germany	5.0	4.2	– 0.7
France	5.1	4.4	– 0.7
Italy	4.7	4.2	– 0.7
Spain	4.7	3.9	– 0.6
Netherlands	4.9	4.2	– 0.5
Belgium/Luxemburg	4.3	3.7	– 0.6
Austria	5.2	4.3	– 0.7
Finland	5.0	4.4	– 0.9
Greece	5.6	4.5	– 0.7
Portugal	4.3	3.8	– 0.5
Ireland	4.5	4.3	– 0.7
United Kingdom	5.2	3.8	0.8
Sweden	6.8	5.1	– 1.0
Denmark	5.0	3.5	– 0.3
Switzerland	5.2	4.8	0.0
Norway	– 0.3	6.2	3.3
United States	6.0	3.2	0.7
Canada	– 1.3	– 2.7	0.4
Japan	6.6	7.0	– 3.0
Emerging markets	4.1	2.5	0.7
Central + Eastern Europe	2.7	2.6	0.7
Czech Republic	– 1.3	2.5	0.8
Hungary	4.1	6.4	– 0.9
Poland	– 6.7	2.1	0.9
Slovak Republic	2.2	3.0	0.7
Slovenia	6.0	4.3	1.0
Other transition	5.7	2.2	0.7
Asia	3.8	2.4	0.7
Anies	1.3	3.2	0.6
China	5.2	1.4	0.8
Other Asia	5.4	2.5	0.7
Africa + Middle East	5.7	2.3	0.9
Latin America	5.9	2.9	0.5

[a] Export prices of competitors is weighted average of import prices in the geographical export markets of each exporting country, measured in the currency of the exporting country.

Table 5. Relative export prices in national currencies and effective appreciation against competing countries (continued)

Table 5c Relative export prices in a common currency[a]	2005	2006	2007
	Annual percentage changes		
Total World	0.5	– 0.4	0.0
Advanced economies	– 1.5	– 1.3	0.6
European Union 15	– 2.1	– 1.9	0.8
Euro area	– 2.0	– 2.2	0.9
Germany	– 3.6	– 2.8	1.2
France	– 4.0	– 3.5	0.9
Italy	1.4	– 2.1	1.9
Spain	0.5	– 1.6	0.4
Netherlands	– 1.7	– 1.1	– 0.6
Belgium/Luxemburg	2.3	0.0	1.2
Austria	– 3.6	– 3.1	1.2
Finland	– 5.5	– 3.0	0.2
Greece	– 2.9	– 1.8	2.8
Portugal	– 0.8	– 0.7	0.6
Ireland	– 1.9	– 1.7	0.3
United Kingdom	– 3.2	0.4	0.2
Sweden	– 3.3	– 2.8	0.0
Denmark	– 0.4	– 0.6	1.6
Switzerland	– 1.8	– 1.7	– 0.4
Norway	22.2	0.6	– 6.7
United States	– 2.7	– 0.4	0.3
Canada	3.3	5.1	– 0.4
Japan	– 4.4	– 3.5	2.1
Emerging markets	2.9	0.5	– 0.7
Central + Eastern Europe	10.5	2.6	– 1.3
Czech Republic	– 0.1	– 1.2	– 0.5
Hungary	– 4.7	– 2.9	– 0.6
Poland	2.3	0.9	– 1.1
Slovak Republic	– 0.8	– 0.9	– 0.4
Slovenia	– 2.2	– 0.4	1.5
Other transition	21.1	5.0	– 1.7
Asia	– 1.6	– 0.9	– 0.2
Anies	– 2.6	– 1.2	– 0.1
China	– 2.6	– 1.5	– 0.3
Other Asia	0.1	0.0	– 0.2
Africa + Middle East	18.2	6.1	– 1.9
Latin America	2.0	– 0.6	– 1.5

[a] The relative export price is the ratio of export price to export price of competitors.

Table 5d **Effective appreciation against competing countries**

	2005	2006	2007
	Annual percentage changes		
Total World	0.0	0.0	0.0
Advanced economies	– 0.4	– 0.7	0.5
European Union 15	– 0.8	– 1.2	0.6
Euro area	– 0.7	– 1.2	0.8
Germany	– 0.6	– 1.2	0.8
France	– 0.7	– 1.2	0.8
Italy	– 0.7	– 1.3	0.8
Spain	– 0.6	– 1.1	0.8
Netherlands	– 0.7	– 1.0	0.8
Belgium/Luxemburg	– 0.7	– 1.1	0.8
Austria	– 0.8	– 1.1	0.8
Finland	– 0.8	– 1.3	0.9
Greece	– 0.8	– 1.2	0.9
Portugal	– 0.6	– 1.1	0.8
Ireland	– 0.7	– 1.2	0.8
United Kingdom	– 1.2	– 0.9	– 0.7
Sweden	– 2.4	– 1.9	0.9
Denmark	– 0.9	– 0.6	0.1
Switzerland	– 1.0	– 1.8	0.1
Norway	3.9	– 2.9	– 3.1
United States	– 0.6	0.8	– 0.5
Canada	6.0	6.2	– 0.5
Japan	– 2.6	– 3.8	3.0
Emerging markets	0.4	0.8	– 0.5
Central + Eastern Europe	1.9	0.7	– 0.6
Czech Republic	6.0	0.6	– 0.7
Hungary	0.6	– 3.0	1.2
Poland	11.8	1.1	– 0.7
Slovak Republic	2.7	0.0	– 0.8
Slovenia	– 1.1	– 1.2	– 0.8
Other transition	– 1.0	1.2	– 0.6
Asia	0.6	0.8	– 0.5
Anies	2.7	0.0	– 0.5
China	0.0	2.0	– 0.5
Other Asia	– 0.9	0.7	– 0.6
Africa + Middle East	– 0.8	1.0	– 0.6
Latin America	– 1.1	0.4	– 0.5

Table 6 Merchandise trade balances (customs basis) in bln US dollars

Table 6a Merchandise export, fob

	2005	2006	2007
	Bln US dollars		
Total World	10229	11382	12387
Advanced economies	5736	6200	6683
European Union 15	3528	3770	4076
Euro area	2932	3114	3365
Germany	973	1041	1138
France	442	469	508
Italy	369	383	405
Spain	186	191	202
Netherlands	339	367	397
Belgium/Luxemburg	267	289	313
Austria	123	130	141
Finland	66	72	77
Greece	17	18	19
Portugal	38	39	42
Ireland	110	115	124
United Kingdom	382	425	461
Sweden	131	141	154
Denmark	84	90	96
Switzerland	126	131	139
Norway	103	105	104
United States	893	995	1070
Canada	361	415	438
Japan	595	643	709
Emerging markets	4493	5182	5704
Central + Eastern Europe	767	885	952
Czech Republic	78	90	101
Hungary	61	69	78
Poland	90	99	107
Slovak Republic	32	37	41
Slovenia	18	20	23
Other transition	488	569	602
Asia	2285	2688	3072
Anies	975	1120	1258
China	762	949	1137
Other Asia	548	620	678
Africa + Middle East	882	995	1029
Latin America	559	615	651

Table 6b	Merchandise import, cif		
	2005	2006	2007
	Bln US dollars		
Total World	10407	11667	12728
Advanced economies	6390	7000	7506
European Union 15	3558	3839	4123
Euro area	2871	3098	3331
Germany	774	847	908
France	485	523	574
Italy	383	400	418
Spain	278	298	320
Netherlands	319	348	377
Belgium/Luxemburg	263	292	315
Austria	125	131	141
Finland	59	65	70
Greece	54	56	60
Portugal	60	64	69
Ireland	70	75	81
United Kingdom	501	536	571
Sweden	111	121	129
Denmark	74	84	92
Switzerland	122	130	138
Norway	55	59	59
United States	1674	1871	2007
Canada	315	358	381
Japan	516	578	623
Emerging markets	4017	4667	5222
Central + Eastern Europe	761	884	991
Czech Republic	76	87	97
Hungary	65	74	83
Poland	100	112	124
Slovak Republic	36	41	46
Slovenia	19	23	26
Other transition	464	547	616
Asia	2176	2557	2883
Anies	934	1060	1161
China	660	817	961
Other Asia	582	679	761
Africa + Middle East	552	642	723
Latin America	527	584	624

Table 6 Merchandise trade balances (customs basis) in bln US dollars (continued)

Table 6c Trade balance

	2005	2006	2007
	Bln US dollars		
Total World	– 178	– 285	– 341
Advanced economies	– 654	– 800	– 824
European Union 15	– 30	– 69	– 47
Euro area	61	16	34
Germany	199	194	230
France	– 43	– 54	– 65
Italy	– 13	– 17	– 13
Spain	– 92	– 106	– 118
Netherlands	20	20	20
Belgium/Luxemburg	4	– 4	– 2
Austria	– 2	– 1	0
Finland	7	6	7
Greece	– 37	– 38	– 41
Portugal	– 22	– 25	– 26
Ireland	40	40	43
United Kingdom	– 119	– 111	– 110
Sweden	19	20	24
Denmark	10	6	4
Switzerland	5	1	1
Norway	48	47	45
United States	– 782	– 876	– 937
Canada	46	57	57
Japan	78	65	86
Emerging markets	476	515	483
Central + Eastern Europe	48	52	21
Czech Republic	2	3	4
Hungary	– 3	– 5	– 5
Poland	– 11	– 13	– 17
Slovak Republic	– 4	– 4	– 4
Slovenia	– 2	– 3	– 4
Other transition	24	22	– 14
Asia	108	131	189
Anies	41	59	96
China	102	131	176
Other Asia	– 34	– 59	– 83
Africa + Middle East	330	353	306
Latin America	32	31	27