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World Trade in 2010 and 2011

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Coe-Rexecode

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Contents

Summary	4
1. Overview and general assumptions	5
<i>Recent trends in world trade</i>	6
2. Imports and domestic demand	10
<i>Strong recovery of emerging countries imports in 2010, widespread moderation in 2011</i>	10
<i>Is there an « import gap »?</i>	15
<i>Stabilisation of import prices for developed economies expected next year</i>	16
3. Exports and price competitiveness	17
<i>Exports and markets shares</i>	17
4. Forecast risks	18
<i>Sustainability of trade imbalances?</i>	18
<i>Other risks</i>	19
Detailed results	20

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World Trade in 2010 and 2011

Le commerce mondial en 2010 et 2011

Le commerce mondial a enregistré une nette reprise au cours de la première moitié de l'année 2010, après qu'une forte augmentation ait déjà été observée courant 2009. Toutefois, les données les plus récentes montrent une décélération du commerce mondial durant l'été. Les pays émergents ont tiré la reprise du commerce mondial depuis le début de 2009. Le niveau de leurs importations se situe ainsi au-dessus du niveau d'avant-crise, bien qu'elles aient montré des signes de modération récemment. Pour les économies développées, le niveau des importations n'a pas encore atteint le niveau d'avant-crise. Ainsi, la récession a créé un déficit d'importations (« import gap »), qui n'a pas été complètement comblé. Cela soulève des questions quant à la tendance sous-jacente des importations des pays développés.

Selon les hypothèses du groupe de travail, le commerce mondial n'augmenterait que de 7,3 % l'année prochaine en volume après une hausse de 15,5 % en 2010. Compte tenu des effets d'acquis, ces taux de croissance moyens annuels signifient que des chiffres plutôt faibles sont attendus pour la fin 2010 et au cours de la première moitié de 2011, conformément aux hypothèses sur l'économie mondiale (resserrement des politiques budgétaires, fin des effets de la reconstitution des stocks). La croissance du commerce mondial pourrait accélérer légèrement dans la seconde moitié de 2011. Selon les hypothèses de groupe de travail, les déséquilibres mondiaux ne seraient pas réduits l'année prochaine, occasionnant une pression supplémentaire sur les taux de change.

Summary

World trade recovered sharply in the first half of 2010, after the strong increase already observed in the course of 2009. However, most recent data show a deceleration in world trade during the summer. Emerging countries have led the recovery of world trade since the beginning of 2009. The level of their imports stands above the pre-crisis level although they have shown some signs of moderation recently. For developed economies, the level of imports has not yet reached the pre-crisis level. Thus, the recession has created an apparent « import gap » that is not completely closed. It raises some questions concerning the future trend of developed countries imports.

According to the Working Group assumptions, world trade will grow only by 7.3% next year in volume terms after a strong 15.5% in 2010. Due to the carry-over effects, those annual average growth rates mean that rather weak figures are expected in the second half of 2010 and in the first half of 2011, in line with global assumptions on world economy (tightening of fiscal policies, end of the effects of inventories rebuilding). World trade growth might accelerate slightly in the second half of 2011. According to the Working Group assumptions, global imbalances would not be reduced next year. It will put an additional pressure on exchange rates.

1. Overview and general assumptions

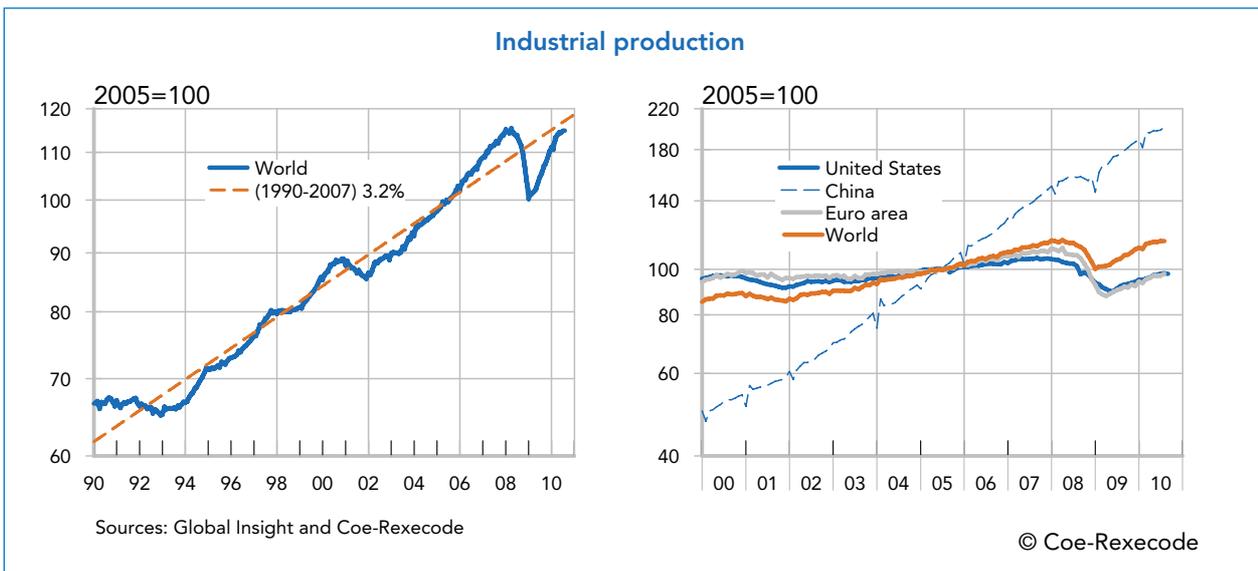
Recent developments in the world economy

The world economy registered a major recession at the end of 2008 and at the beginning of 2009. At the world level, a sharp recovery occurred in the course of 2009, with world GDP growth rate overpassing the pre-crisis trend. In the first quarter of 2010, world GDP growth peaked at 6% quarter-on-quarter at an annualised rate. A deceleration occurred in the second quarter of this year albeit quarter-on-quarter increase remained relatively strong.

The correlation between trade flows and world industrial production is generally stronger than with GDP, as industrial production includes mainly tradable goods. World industrial production recovered strongly after the recession observed at the end of 2008. However, signs of moderation have been recently visible. But after such a trough, the recovery must be appreciated not only in terms of growth rate but also in terms of level. Regarding this point, it must be noticed that the current level of world industrial production is now close to the pre-crisis level. Compared



to a linear trend based on the average growth rate between 1990 and 2007, the output gap is almost closed. Of course, it can be discussed if the crisis will lead to a change of trend in world economy. We will discuss this point in section 2 regarding world trade. But another key feature of the current economic situation is that the business cycle is probably also coupled with a structural relocation of industrial activities across the world. Regarding industrial production, China trend growth has



hardly been hit by the crisis. On the opposite, the levels of industrial activity in the U.S. and in the Euro area are still below the pre-crisis level, while they are already showing signs of weakness. This relocation of industrial activities is not without consequence on trade flows. For sure, it mirrors partly the changes in the relative world shares in final demand. For instance, Western Europe, the U.S. and Japan (let us name this group G3) represent now less than half of the world car registrations (46.1% in 2009). But changes in location of world production are quicker. In the car industry, the share of G3 has decreased from 81 % in 1990 to 69.5 % in 2000, before reaching just 50% in 2008 and only 42% last year. This implies that part of the G3 car demand is satisfied by imports from emerging countries.

Recent trends in world trade

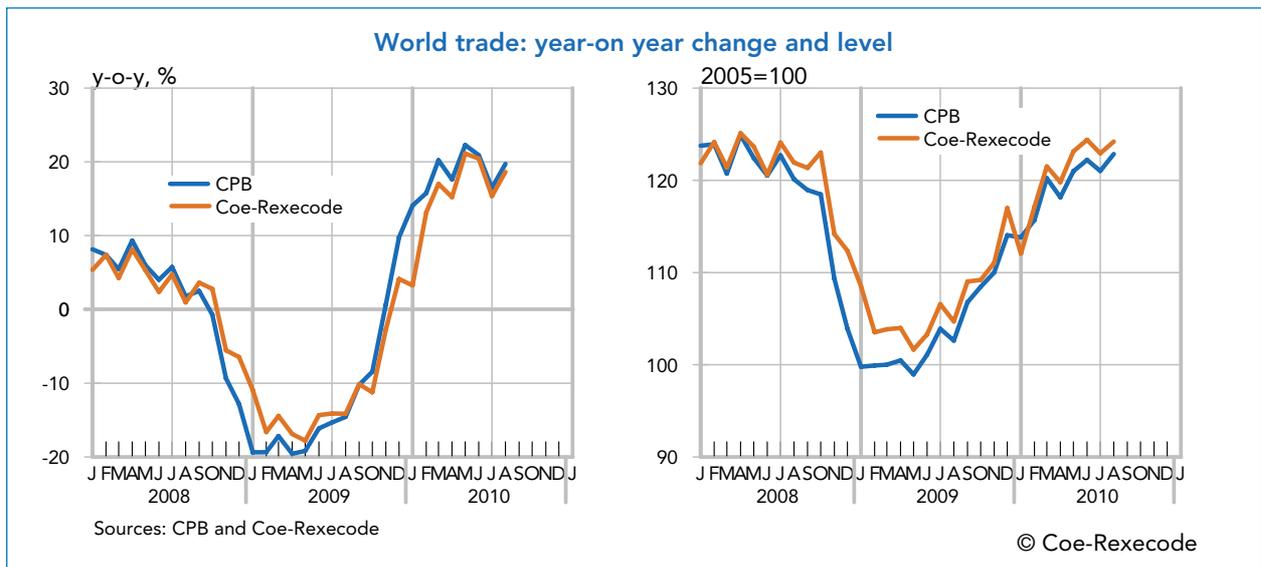
In the aftermath of Lehman Brothers failure, world trade collapsed at an unknown speed. This decline was concentrated on a very short period from October 2008 to January 2009. The first half of 2009 was characterised by a stabilisation of trade flows. Then, world trade picked up strongly in the second half of 2009, a trend that continued in the beginning of 2010. During six months (2009q4-

World trade in volume terms quarterly profile		
	Q/Q % change	Y/Y % change
2008q4	-8,3	-7,6
2009q1	-9,6	-18,6
2009q2	0,3	-18,3
2009q3	4,3	-13,4
2009q4	6,1	-0,3
2010q1	5,2	16,7
2010q2	3,3	20,3
2010q3*	1,2	16,8

* est. Jul. -Aug.

2010q1), world trade growth momentum exceeded 20% at an annualised rate. In the second quarter of 2010, world trade growth was slightly less dynamic. According to preliminary estimates, July and August showed on average a small increase compared to 2010Q2. Early estimations for the month of September indicate even a contraction of trade compared to August figures.

This recent slowdown in world trade can be linked to various factors but mainly to the end of the restocking process in most economies and also to the implementation of more restrictive fiscal policies while the effects of stimulating fiscal packages vanished. This applies also to China which has known a period of economic boom stimulated both by a huge increase in credits and



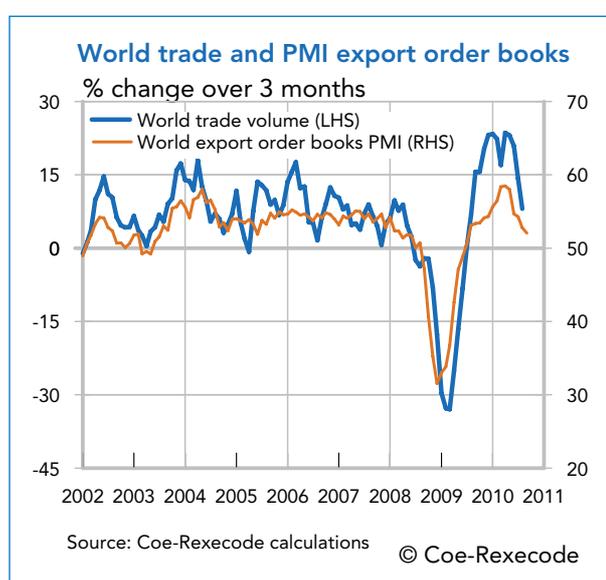
Coefficient of correlation between the PMI index and world trade
(Coe-Rexecode indicator, Jan. 1998-July 2010)

Level	0.16
% change / a month ago	0.33
Moving average on 3 months % change / a month ago	0.74
% change 3 months moving average	0.84
year-on-year % change	0.68
Moving average on 3 months of the year-on-year % change	0.59
Source : Coe-Rexecode calculations	

a major fiscal package, leading to an upsurge of Chinese imports that has been a key factor of world trade recovery in the course of 2009 and early 2010. However, after a peak in March 2010, Chinese imports weakened till the month of July, before recovering a bit in August and September. On average, Chinese imports in volume terms stagnated in 2010Q3 after a moderate decline in 2010Q2, while they grew at an impressive rate close to 60% on a year-on-year basis early 2010.

Surveys carried out among purchasing managers can also be used as a good proxy of world trade.

Regarding export order books, the question in the Purchasing manager index developed by Markit concerns the comparison of new order books with a month ago. The index takes the form of a balance of answers between respondents mentioning an increase and a decrease, whose value is close to 50 when the level



Main assumptions and world trade forecast

	Spring 2010			Autumn 2010		
	2009	2010	2011	2009	2010	2011
Annual percentage changes or levels						
GDP volumes						
United States	-2.4	3.0	2.5	-2.5	2.6	2.3
Japan	-5.2	1.8	1.4	-5.2	2,8	1.4
Euro Area	-4.0	1.2	1.5	-4.0	1,6	1.4
China	8.6	10.0	8.7	9.1	10,0	9.0
Exchange rates (levels)						
USD / Euro	1.39	1.38	1.38	1.39	1.31	1.30
Yen / USD	93.6	92.0	92.0	93.6	89.0	89.0
World trade prices (USD)	-11.4	3.3	1.2	-12.1	3.2	1.8
Crude oil (level, Brent, \$/b) ^a	61.5	80.0	80.0	61.5	78.1	83.5
Non energy primary commodities	-22.4	20.0	2.0	-17	38	0
World trade volume of goods	-12.1	10.7	7.6	-12,8	15.3	7.2

a: According to the assumptions included in the report of the AIECE Working Group on Commodities Prices.
Source: WG forecast

Box 1 - The renewal of the AIECE World Trade Group forecasting tools – a preliminary methodological note.

By Roberta De Santis (ISAE, Roma) and Alain Henriot (Coe-Rexecode, Paris)

For many years, forecasts of the World Trade Group (WTG) of the AIECE have been based on various tools provided by the CPB (The Hague). Due to internal reorganisation, this institute has decided to stop its participation to the WTG in Spring 2010. Thus, there was a need to build new tools to be able to continue to provide AIECE members with reliable and consistent forecasts on world trade.

Here the main goals of the WTG have to be reminded. A first aspect is to produce a world trade forecast for the current year and the following year taking into account the most recent data on external trade. It can seem obvious but, as official figures don't exist regarding world trade, collecting data and putting them on a consistent basis is a key element to get a good forecast. For many countries several alternative sources exist regarding exports and imports in value terms as well as their deflators (national accounts, customs data, balance of payments, price indexes with a fix weighting system, unit values indexes ...). The CPB monitoring system is now considered as a reference in this field and it will continue to be used by the WTG in the forecasting process, besides the monitoring developed by Coe-Rexecode on a less detailed basis but which can be used as an additional benchmark for assessing world trade developments.

The second target of the group is to check the consistencies of the forecasts of AIECE institutes regarding trade figures. Indeed, individual forecasts country by country on exports and imports can be inconsistent, displaying an excess or a lack of exports at the world level comparing with imports. This « black hole » exists in terms of level like the “world balance of payments” showed a surplus exceeding \$ 200 billion in 2009 according to IMF data. Moreover, this gap is not constant over time: in 2002, the gap was negative by around \$ 130 billion. It means that at the world level exports and imports growth can diverge. But of course this deviation in the forecast must remain as limited as possible. Country forecasts have thus to be compiled using appropriate tools. The WTG forecast is thus not an independent view on world trade developments but is more devoted to updating and to making AIECE members views on world trade consistent, both on the volume and the price side.

The World Trade Report, published twice a year, is prepared by the AIECE Institutes participating at the WTG¹. Starting from October 2010, the forecasts will be produced with the help of new tools using as a starting point the country and regional forecasts provided by the various AIECE institutes that reply to the questionnaire². Starting from the average forecasts across AIECE institutes for all countries and regions, the WTG can however modify those figures, taking into account most recent monthly data and the resulting carry-over.

The forecasts for the current and the following year cover import and export volumes, import and export prices from which can be derived some synthetic indexes on export price competitiveness, foreign demand growth addressed to each country or area and export market shares. The forecasts are provided for a large number of countries.

The country classification in the World Trade Report divides the world into two major groups: advanced economies and emerging economies. This classification is not based on strict economic or political criteria and it has changed over time. The objective is to facilitate analysis by providing a reasonably meaningful method for orga-

¹ Coe-Rexecode, DIW, IBRKK, INSEE, ISAE and ECB that has the status of observer in this group.

² In this context, each institute is required to provide the WTG with customs basis figures for exports and imports volumes and prices of goods of its own country. For non-AIECE countries or regions the trade forecast is the responsibility of the WTG.

nizing data. Some countries remain outside the country classification and therefore are not included in the analysis as a single country but within a region³. The regional breakdowns of emerging and developing economies are

Central and Eastern Europe, Emerging Asia - the four newly industrialized Asian economies are also distinguished as a subgroup as well as China-, Latin America, Middle East and Africa.

The method to obtain world trade and prices is based primarily on the aggregation of country/regional data and forecasts, by using appropriate weights⁴. Beyond this, the framework also allows to calculate additional measures that can be used to check the consistency of the forecasts. On the volume side, for instance, taking the import volumes as given, we can calculate foreign demand growth for the different countries and regions and compared them with the projected export volumes growth. This leads to a detailed analysis of export market shares developments across countries. More specifically, the foreign demand is calculated as a weighted average of import volumes growth rate of major trading partners while the export market shares is measured by the difference between the growth rate of export volumes and foreign demand.

On the price side, starting from the projected export prices, competitors' export prices for the different countries and regions are calculated, allowing for cross-checking with the projected import prices. Furthermore, this can also be used to analyse shifts in price competitiveness across countries with a feedback on past and future export market shares. As we are still in the process to complete the forecasting framework, particularly on the price side, this report only contains a limited set of indicators, which will be expanded until Spring 2011.

³ Calculations are also made for the smallest countries like Iceland but they are not displayed in tables.

⁴ Imports and export weights are based on IMF « Direction of trade » data (shares in total world exports and imports, in value terms). Those weights correspond to a moving average of the most recent three years (2007 to 2009 now).

of new order books is unchanged compared to the previous month and above this threshold when new order books increase. As companies generally have not data on their own activity on a seasonal adjusted basis, it is likely that they compare the level of activity of the current month (or order books in the present case) with the level of one year ago, the answer on the changes observed during the month displaying actually the changes on a year-on-year basis. However, a simple correlation between world trade data (Coe-Rexecode indicator) and results of the PMI component on world new export order books shows that the highest correlation is obtained with the percentage change of a three months moving average.

As it is the case for most surveys on the business cycle, the PMI index on world new export order books was not able to give the full magnitude of the trough of world trade during the crisis. It also

underestimated the magnitude of the recovery. This is probably linked to the fact that this kind of index has physical upward and downward limits. But the direction of changes was well indicated.

In the following graph, we can observe that available data until September 2010 show that the PMI index concerning world new export order books is declining after having peaked in April. However, the overall index remains in positive territory. It is thus an additional indicator that world trade growth has recently weakened.

Main assumptions

According to the baseline scenario of our forecasts, world economy might register a more moderate growth after the strong rebound observed until the beginning of this year. First signs of

moderation of economic growth have already been seen in the U.S. in the second quarter and Europe would follow with a small lag. This moderation of world activity can be seen as a temporary break in the economic recovery, but it will also be the consequence of the fiscal consolidation programs undertaken across the world. The main uncertainties for the future come from China. In the third quarter, GDP growth in this country slowed down to 9.6% on a year-on-year basis compared to 10.3% in 2010Q2 and 11.9% in 2010Q1. Chinese authorities seem decided to calm down expansion and inflationary pressures as it is shown by the increase of key interest rates at mid-October. But social constraints put also a pressure on Chinese authorities to take new measures to support their economy. In that case, it will also give some support to the world economy and the world trade, even at the expense of increasing China internal imbalances. Another major threat on world economy concerns currency developments. In this report, we decided to freeze the exchange rates at their level at the time of the forecast (10th of October). But there are more and more evidence that all the main global players (except maybe the Euro area) have decided to use their currencies as a stimulator of their own recovery. Of course, those attitudes become conflicting at the world level.

Compared to our spring forecast, GDP growth is revised slightly downward for the U.S. and is almost unchanged for the Euro area, Japan (in 2011) and China. World trade growth forecast is however revised substantially upward as the rebound has been more pronounced than expected at the end of 2009 and in the first quarter of 2010 as already mentioned. Consequently, the carry-over in the third quarter (average of July-August) is already very high, around 15%. The annual averages displayed in our central forecast are thus based on a profile including almost flat world trade at the end of 2010, followed by a weak growth early 2011. In the second half of 2011, signs of reacceleration might appear again after that world recovery “took a breath”.

2. Imports and domestic demand

Strong recovery of emerging countries imports in 2010, widespread moderation in 2011

After a sharp decline in 2009 which concerned all countries or regions listed in our detailed tables presented in annex, except China, most of countries will return to a positive growth of their imports in 2010. Only four exceptions can be mentioned: Greece (-11.5% in 2010 after -18.5% in 2009), Ireland (-4% after -18%), Iceland and Luxembourg. The spectrum of imports' increase is however very large ranging from 3% in the case of Spain to 30% for China, a figure which is mainly the result of the strong rebound in the course of 2009 and early 2010. It must be noticed that the growth rate of import volumes will be twice higher in emerging markets than in advanced economies (20.4% against 11.6%). In this category of countries, the U.S. outperformed the Euro area countries, as internal demand remained rather weak for this latter group.

In 2011, we expect a general slowdown of world imports, a movement which will be shared by almost all countries and regions.

Within the Euro area, German imports would raise at a more significant rate than other countries average. This can be linked to the development of trade in intermediate goods generated by exports performance as it is the case since the beginning the 2000's. But it also indicates that internal demand and above all private consumption will wake up, stimulated by a less restrictive wage policy and favourable developments in the labour market (see Box 2 on this question).

In China, the main question is whether private consumption will be strong enough to counterbalance the slowdown of exports in the wake of the world trade moderation. The support to internal demand in 2009 and 2010 coming to an end, will Chinese authorities maintain this support or not in

2011? More generally, Asian economies whose activities have been drawn by external demand in 2009 and early 2010 have now to base their economic developments on their own forces. But the need for fiscal consolidation is less important than in Europe or in the U.S. in most countries, except in India.

In Latin America, the second quarter of 2010 saw growth accelerating faster than expected in the main economies of the region. Domestic demand was the main driver of recovery, supported by the improvement of household and business confidence, expansionary fiscal policy and a still accommodative monetary policy in spite of the start of key rate increases in some countries of the region. This went hand in hand, in particular in South American countries, with the positive developments of the commodity prices and the dynamism of Asian demand. Furthermore, the European crisis and the fears triggered by the U.S. slowdown had only limited and temporary impacts on the region's financial variables. In this regard, Mexico, together with Brazil and Argentina, is at the forefront of regional growth. The recovery in domestic demand and investments will cause an increase in imports which will last although at a decelerating pace for the whole 2011. For the current year import volumes will rise by 26%, at the same pace than emerging Asia, followed by a 12% increase in 2011.

Central and Eastern European economies would register a strong growth of their imports (13% in volume terms), but this is only half of the growth rate of Latin America and emerging Asian countries imports. It can be explained by several factors: some countries (especially the Baltic States) registered a severe recession in 2009 that showed the fragility of those small economies; some countries are still struggling against internal imbalances due to an inappropriate stance of economic policy before the crisis (Hungary, Romania, Bulgaria); Russia has not played the role of engine that can be expected in the region during the crisis, because the structural international specialization of this country remains too heavily dependent on developments of raw material prices. Moreover, Russian growth will be hit this year by the consequences of the summer drought; finally, central European economies are now fully integrated in the European industrial networks, so that they also suffer from a rather low development of the European demand. The economic recovery has thus been slower in this region than in emerging countries as a whole. The gap will be smaller in 2011. Central and Eastern European countries' import volumes would grow by a lower rate (9%) in the wake of the moderation observed in the Euro area and in the U.K., but the intensity of the slowdown will remain moderate.

Box 2 - The intra EMU imbalances and the German « dualism »

By Sergio de Nardis and Roberta De Santis (ISAE)

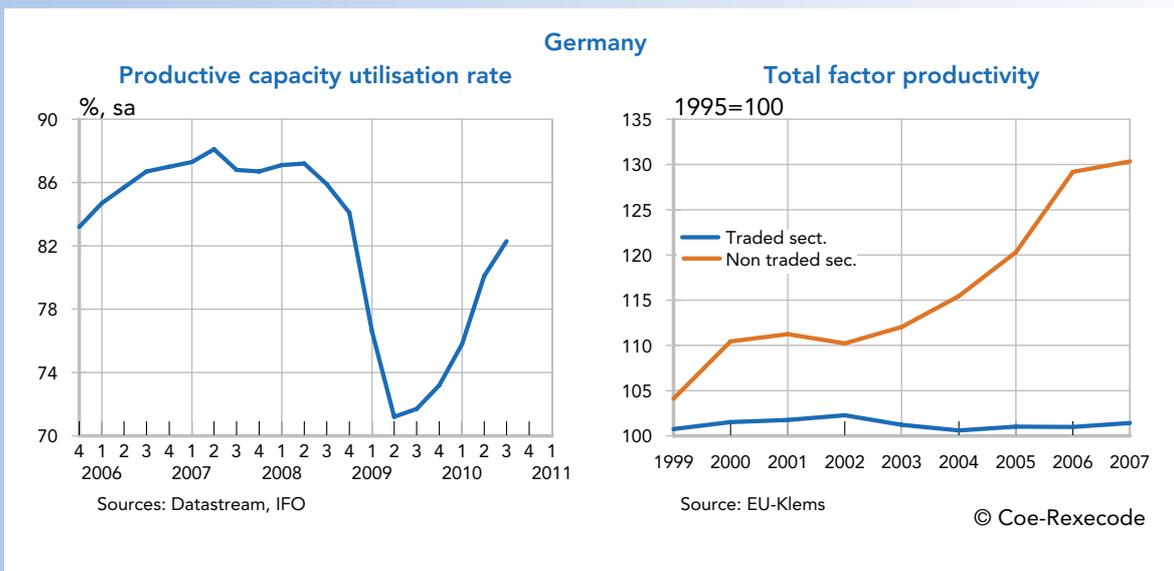
The structural nature of intra-EMU imbalances calls for a real exchange rate appreciation in surplus economies, especially in Germany, and structural reforms to increase competitiveness in deficit economies. The motivation for restoring sustainable domestic demand in Germany seems to be linked to efficiency more than « generosity » due to the excess capacities still present in the German production sector.

The German economy benefited also in 2010 more from the swift recovery in global demand than its euro zone partners given its external competitiveness, high degree of openness and diversified export structure. Furthermore, according to the WTG forecasts, Germany will be the only economy within the major European countries that will experience and increase its export market shares in 2011 (see section 3 of the report).

The current account surplus in Germany is expected to reach the 5.5% of GDP in 2010. This figure is mainly the result of a huge increase in productivity over the past decade that determined sustained export market shares increases for German exports.

A more detailed analysis of the phenomenon shows the presence of a « traded non traded » dualism in the German productive sectors. Thus, « the 30% increase in productivity in the period 1999-2007 », concerned almost exclusively the manufacturing industries (i.e. traded sector) while it was basically absent in the other sectors (non-traded). Furthermore, the increases in productivity in the traded sector, for various reasons, have not been transmitted to the prices through wages (according to the traditional Balassa Samuelson paradigm). This factor prevented an internal adjustment process of the German imbalance through domestic inflation (as a correction of the nominal exchange rate in a single currency area is impossible).

Therefore, in Germany, despite the huge increase in productivity in the period 1999-2007, wages in the industrial sector decreased with respect to the average product of labour. The result is that during the past decade, with the



¹ Sergio de Nardis, *ibidem*.

only exception of the crisis period 2008-9, there has been a constant reduction (over 10%¹) of German wages and prices with respect of the European partner average levels.

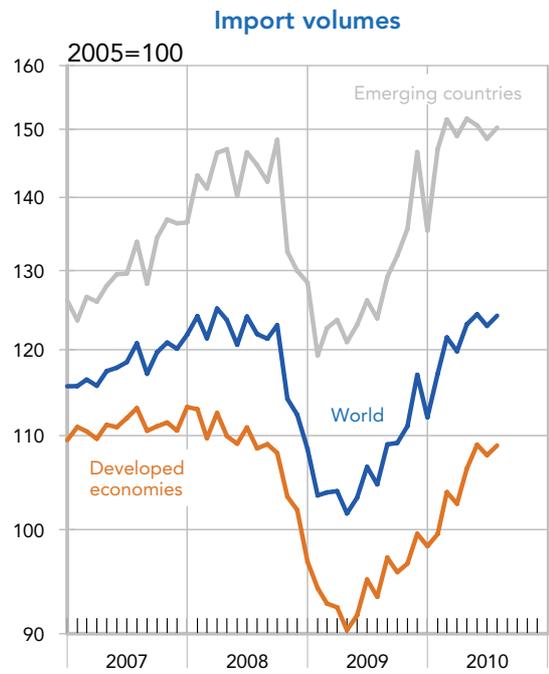
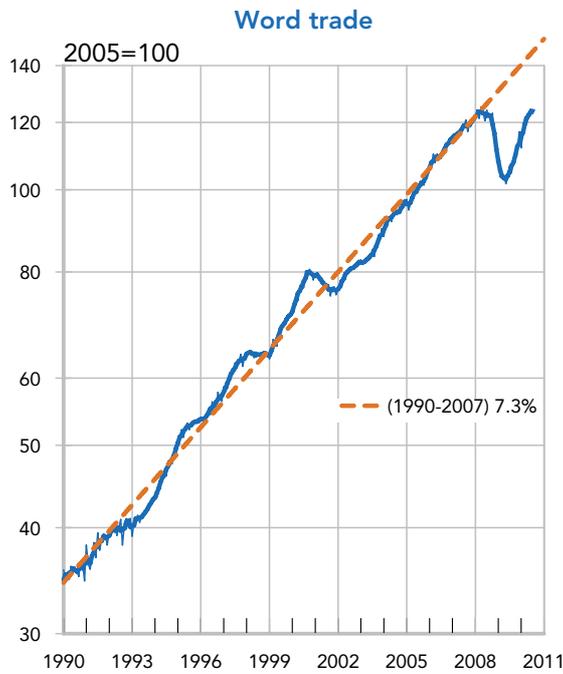
This tendency has determined a progressive removal from the European macroeconomic equilibrium. More than half of the surplus concerns intra- Euro area trade. Thus, the major cost of the German imbalance has been weighting on the other euro countries. The euro area imbalances (given that the adjustment processes through exchange rate and/or inflation are not functioning) could determine dangerous biases in the euro area economies. At the moment, the main evidences of the biases are: i) a major role of manufacturing in the economic growth with respect to the other sectors; ii) the necessity for the German European trade partners to lower prices and wages to remain (price) competitive. The latter (ii) influences negatively the economic performance and in particular the private consumptions.

It is worth noticing that a large share of the private expenditure of European citizens is in non traded sectors (i.e. services, public utilities)². The dualism within the traded/non traded sectors has also determined structural ties to the consumer purchasing power. It is not a case, in fact, that in the past decade the private consumptions in the Euro area have been constituting the weak spot for the euro area economy.

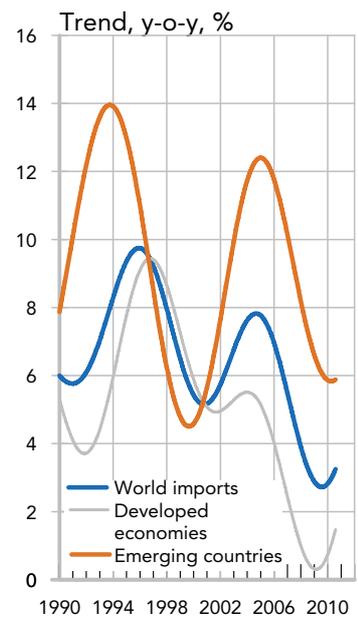
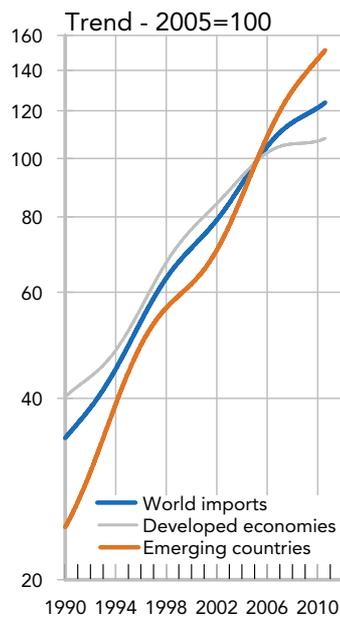
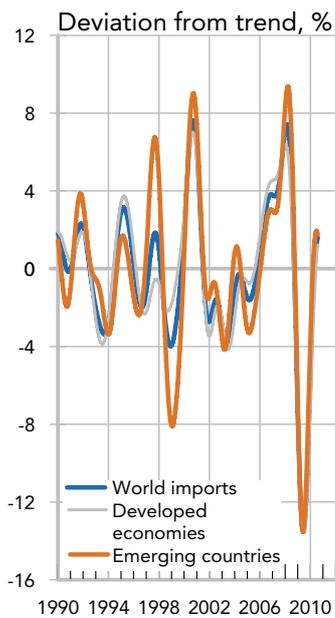


The current Euro area imbalances – only temporarily and very marginally absorbed during the last crisis – calls for an appropriate (European?) Governance aimed at improving the competitiveness of the economies in deficit and at rebalancing domestic and external demand in Germany. It could be obtained by: i) Removing the obstacles to an internal adjustment process in Germany following Balassa – Samuelson approach: i.e redistribute more appropriately the gains in productivity between wages and profits. It would determine an appreciation in the real exchange rate via domestic inflation reducing German exports in favour of the main euro area competitors ones. Moreover, the wages’ increase would also have a positive impact on private consumptions; ii) promoting an increase in German non traded sector productivity by means of investments and innovations.

¹ About 60% of household expenditures consist of non-manufacturing products.



Import volumes: decomposition between the trend and the cycle



Source: Coe-Rexecode calculations

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Is there an « import gap »?

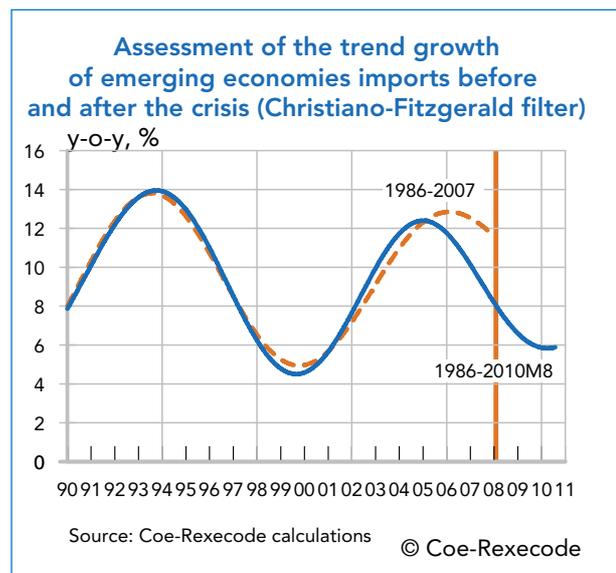
Due to the sharp downturn of world trade in 2009, one question is whether the current recovery has been sufficient to close the gap with the past trend developments. Or, in other words, does it remain an import gap? Here not only growth rate are considered but discussion focuses on the level of trade.

First, we can observe that the present level of world trade (the last available data is August) has just come back to the pre-crisis level of two years ago. Here it is interesting to split world imports into two components: emerging countries imports and developed economies imports. Emerging countries imports are now above their pre-crisis level, but this is not yet the case for developed economies imports. If we consider a simple linear trend it is obvious that an import gap exists, mainly for developed economies. More or less, the magnitude of this import gap for world trade would be between around 15% for world trade, a figure that represents a two years cumulated growth.

But those calculations suppose that the trend is unchanged. A recent study undertaken by the IMF shows that after a financial crisis imports there is a permanent loss of imports, while this is less the case for exports (IMF, World Economic Outlook, October 2010). But this kind of panel study can be misleading in the current context. Indeed, isolated recessions (for instance the Argentine crisis or the Scandinavian crisis at the beginning of the 1990's) can be solved by an improvement of net exports compensating the contraction of internal demand. Of course, this is not the case globally if the crisis is widespread. A deep recession can thus dampen the level of internal demand for a long period of time and as a consequence can have a permanent effect on imports. A good way to measure this kind of phenomenon is to apply statistical filters (here Christiano-Fitzgerald) to decompose a series between the trend and the cycle components.

If we consider the deviation from trend, for world imports and for those of developed economies and emerging economies, the current level of imports seems to be slightly above the trend. In that sense, there would be no import gap. But in a phase of recovery, the positive import gap should increase normally. As world trade seems already slowing down, can we conclude that the trend is also slowing down? This seems to be the case for imports of developed economies. Probably the last trend estimate is partly affected by end-point effects, but the trend of developed economies imports has probably decline.

The judgment is trickier for emerging countries. Since early 1990's three economic episodes have led to changes in the trend of emerging economies imports. At the end of 1990's and early 2000's emerging countries imports were affected by the Asian crisis and the burst of the Internet bubble. Then a period of strong growth began that was stopped by the crisis. Trend growth of emerging economies is currently assessed to be around 6%. Again end-point effects can contribute to minor it.



The following graph gives an assessment of this phenomenon plotting the assessment of trend growth of emerging countries imports calculated on the series between 1986 and 2007 on the one hand, and between 1986 and 2010 on the other hand. We can see that extending the period of calculation leads to revise downward the trend of growth of emerging imports at the end of 2007 and in the preceding years. To some extent the assessment of current trend growth depends on the future. But this is not only under the influence of technical bias of the statistical filter. The future trend growth of emerging imports depends heavily on economic factors (sustainability of economic growth, impor-

tance and length of the structural catching up comparing with the developed economies).

Stabilisation of import prices for developed economies expected next year

After a sharp decline in 2009 reflecting mainly a decrease in raw material prices, world imports prices would increase by around 2.7% in 2010. Then they are expected to increase only by 1.7% in 2011. Considering the recovery in raw material prices, those figures show that price development for manufactured goods would be very modest, displaying no signs of inflationary pressures.

		Changes in export market shares (in percentage points)		
		2009	2010	2011
Euro area	Export growth	-15.2	12.1	6.3
	Foreign demand	-14.3	13.7	7.4
	Export market share	-0.9	-1.6	-1.1
UK	Export growth	-14.3	8.0	6.0
	Foreign demand	-13.0	12.5	6.6
	Export market share	-1.3	-4.5	-0.6
Denmark	Export growth	-12.0	9.0	6.0
	Foreign demand	-13.9	12.4	6.4
	Export market share	1.9	-3.4	-0.4
Sweden	Export growth	-17.0	14.0	6.0
	Foreign demand	-13.8	11.1	6.3
	Export market share	-3.2	2.9	-0.3
United States	Export growth	-12.0	15.0	7.5
	Foreign demand	-13.5	17.7	7.9
	Export market share	1.5	-2.7	-0.4
Japan	Export growth	-24.5	28.0	6.5
	Foreign demand	-11.2	19.4	8.0
	Export market share	-13.3	8.6	-1.5
Switzerland	Export growth	-11.1	6.0	4.0
	Foreign demand	-13.1	12.8	6.6
	Export market share	2.0	-6.8	-2.6
Emerging Asia	Export growth	-8.7	23.2	9.2
	Foreign demand	-13.6	13.4	6.9
	Export market share	5.0	9.8	2.3
China	Export growth	-10.5	32.0	11.0
	Foreign demand	-12.2	17.0	7.6
	Export market share	1.7	15.0	3.4
Latin America	Export growth	-11.0	14.5	8.0
	Foreign demand	-13.9	15.3	7.0
	Export market share	2.9	-0.8	1.0

Changes in export market shares (in percentage points)		2009	2010	2011
Germany	Export growth	-17.5	17.0	8.0
	Foreign demand	-14.3	11.2	6.1
	Export market share	-3.2	5.8	1.9
France	Export growth	-13.0	11.0	6.0
	Foreign demand	-13.2	11.5	6.3
	Export market share	0.2	-0.5	-0.3
Italy	Export growth	-20.0	9.0	5.0
	Foreign demand	-13.5	11.5	6.7
	Export market share	-6.5	-2.5	-1.7
Spain	Export growth	-13.5	10.0	5.5
	Foreign demand	-12.6	10.5	6.1
	Export market share	-0.9	-0.5	-0.6
Netherlands	Export growth	-10.5	12.0	6.0
	Foreign demand	-13.4	11.4	6.7
	Export market share	2.9	0.6	-0.7
Austria	Export growth	-18.7	12.0	7.0
	Foreign demand	-14.3	12.8	7.5
	Export market share	-4.4	-0.8	-0.5
Finland	Export growth	-23.1	9.0	7.0
	Foreign demand	-14.4	13.2	7.0
	Export market share	-8.7	-4.2	0.0

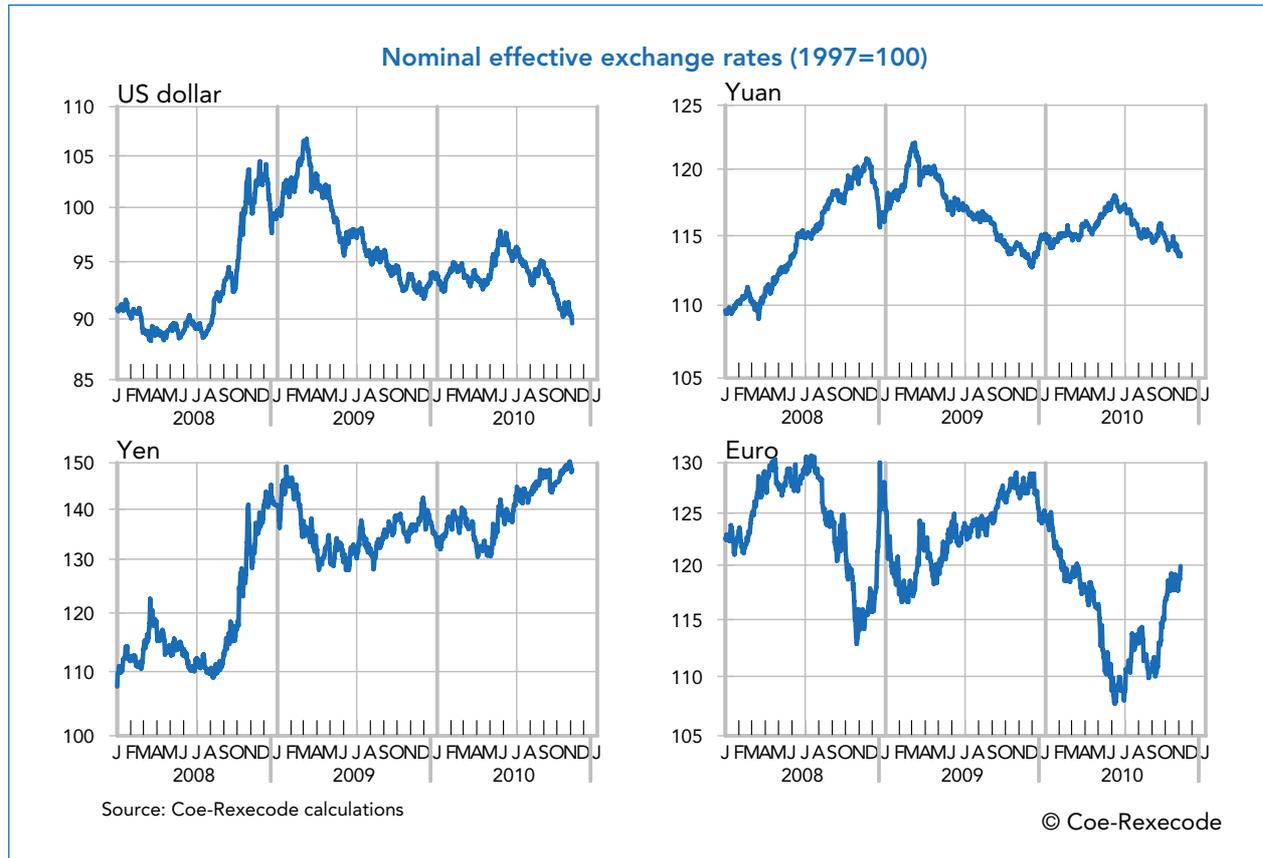
3. Exports and price competitiveness

Exports and market shares

In 2010, all major countries or regions will have come back to a positive growth of their exports. To some extent the more pronounced was the downswing was in 2009, the higher would be the upswing this year. The changes in global market shares reflect also partly the composition of the trade by sectors of activity. The contraction of trade volumes was more pronounced in 2009 for manufactured goods than for food products or energy. On the opposite, the recovery of trade concerned mainly manufactured goods. This can be partly explained the goods export performances of China and Japan in 2010. But it must be noticed that the gains of China market shares would be extremely high this year. This is an obvious sign of undervaluation of the Yuan. On the opposite, the Euro area would register a decline in its market

shares this year. This is also the case for the U.S, although we expect a moderation of the contraction of this downward trend next year. At the same time, Chinese market shares would come back to more limited gains.

For the Euro area, new losses of market shares are expected in 2011. But this will not be the case for Germany, which already registered gains in 2010 compensating for losses observed in 2009. For other Euro area countries, small losses of market shares are expected next year. In line with global trade developments, Euro area exports growth would thus slowdown significantly. It must be noticed that expectations for export growth in Greece in 2011 (2.8%) and in Ireland (4.5%) would translate into new losses of market shares. The process of improvement of competitiveness leading to a more sustainable economic growth will take time.



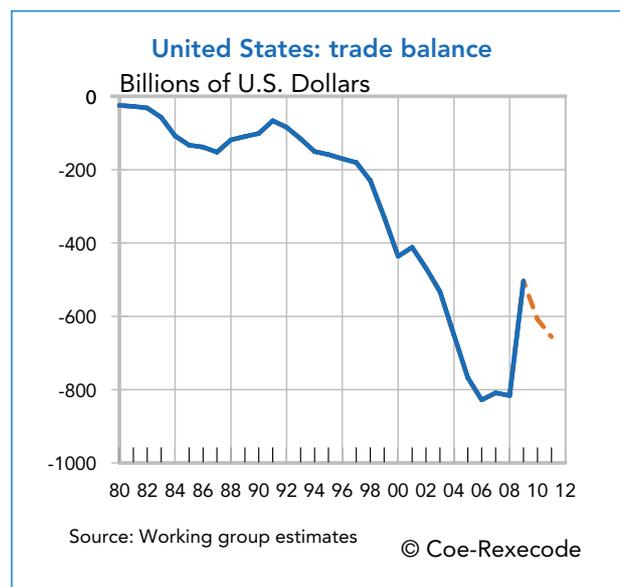
Will recent exchange rates movements put into questions developments in market shares?

In the short run, exchange rate movements are a key factor leading to changes of export competitiveness and market shares. In that sense the recent appreciation of the Euro might lead to unfavourable developments of the Euro area exports.

4. Forecasts risks

Sustainability of trade imbalances?

According to the forecasts presented in this report, global imbalances will not be reduced in 2011. This is for instance the case for the U.S. trade balance



that will show a higher deficit. Rebalancing the world economy between high surplus countries (China, OPEC countries, Germany, Japan) and high deficit countries will remain a key topic of the international governance.

Other risks

1. If no improvement occurs considering global imbalances, the risk that some countries take protectionist measures remains high. Of course, due to the international breakdown of the production process, global companies would probably lobby for limiting those measures. But political pressure might be strong if the unemployment rate remains high in developed economies, in particular in the U.S.
2. Another key issue is that trade elasticities were very high during the rebound. If it continues, it might be a factor leading to higher trade expansion.

3 The last three years have not shown a decoupling of the business cycles between emerging economies and developed countries if we consider turning points. In the boom phase, emerging countries took the lead of the recovery but this is also due to more aggressive economic policy. Nevertheless, it seems clear that structural changes lead to a kind of dualism between developed and emerging economies especially regarding industrial activities. It is not yet clear however how it can impact trade flows. It might increase trade flows if places of consumption differ from places of production for tradable goods (of course, in that case, developed economies have to develop other resources in the non tradable sector or to increase their specialisation in the services to the industry). It can also limit world trade growth if the process leads to higher unemployment rates in developed economies as restructuring can take time. ■



Detailed Results

Import volumes of goods (annual percentage change)				
	Weights	2009	2010	2011
World	100.0	-13.3	15.5	7.3
Advanced economies	55.7	-14.1	11.6	6.0
Euro Area	26.9	-13.2	9.6	5.7
Austria	1.2	-14.5	9.0	6.0
Belgium	2.5	-11.5	7.5	4.0
Germany	7.6	-11.5	16.0	10.0
Spain	2.4	-20.0	3.0	3.0
Finland	0.5	-22.0	7.0	8.0
France	4.5	-11.6	8.5	5.5
Greece	0.5	-18.5	-11.5	-4.3
Ireland	0.5	-18.0	-4.0	1.0
Italy	3.4	-15.0	9.0	3.0
Luxembourg	0.2	-11.0	-2.0	1.0
Netherlands	3.1	-10.3	11.3	5.0
Portugal	0.6	-9.5	0.0	2.0
United Kingdom	4.0	-16.0	7.5	5.0
Sweden	1.0	-14.5	18.0	6.0
Denmark	0.7	-18.0	4.5	4.5
Switzerland	1.3	-8.5	6.0	5.4
United States	12.8	-16.0	15.5	7.0
Japan	4.1	-13.0	13.0	6.0
Australia	1.3	-7.1	20.0	6.0
New Zealand	0.2	-12.4	20.0	6.0
Canada	2.7	-16.0	16.0	6.0
Norway	0.6	-12.5	7.0	5.5
Iceland	0.0	-31.0	-5.0	5.0
Emerging Economies	44.3	-12.3	20.4	9.1
C+E Europe	9.0	-23.0	13.0	9.0
Poland	1.2	-14.3	10.5	6.4
Emerging Asia	23.2	-8.0	25.0	9.0
China	7.8	1.5	30.0	10.0
NIEs	8.8	-11.0	20.0	10.0
Other Asia	6.5	-14.2	25.8	6.5
Latin America	5.3	-18.5	26.0	12.0
Africa + Middle East	6.9	-5.0	10.0	7.0

Export volumes of goods (annual percentage change)				
	Weights	2009	2010	2011
World	100.0	-12.2	15.2	7.1
Advanced economies	51.4	-14.9	13.1	6.3
Euro Area	27.2	-15.2	12.1	6.3
Austria	1.2	-18.7	12.0	7.0
Belgium	2.4	-11.4	7.8	3.9
Germany	9.1	-17.5	17.0	8.0
Spain	1.8	-13.5	10.0	5.5
Finland	0.5	-23.1	9.0	7.0
France	3.9	-13.0	11.0	6.0
Greece	0.2	-18.0	2.8	2.8
Ireland	0.9	-2.0	3.5	4.5
Italy	3.4	-20.0	9.0	5.0
Luxembourg	0.1	-10.5	0.0	4.0
Netherlands	3.4	-10.5	12.0	6.0
Portugal	0.4	-13.0	6.0	5.0
United Kingdom	2.9	-14.3	8.0	6.0
Sweden	1.1	-17.0	14.0	6.0
Denmark	0.7	-12.0	9.0	6.0
Switzerland	1.4	-11.1	6.0	4.0
United States	8.5	-12.0	15.0	7.5
Japan	4.4	-24.5	28.0	6.5
Australia	1.3	-4.3	13.0	7.0
New Zealand	0.2	1.5	8.0	5.0
Canada	2.6	-16.0	7.5	6.0
Norway	1.0	-4.0	1.0	2.0
Iceland	0.0	-15.5	12.0	6.0
Emerging Economies	48.6	-9.4	17.4	7.9
C+E Europe	9.3	-12.0	8.0	7.0
Poland	1.1	-7.9	12.5	7.8
Emerging Asia	25.3	-8.7	23.2	9.2
China	9.8	-10.5	32.0	11.0
NIEs	9.5	-7.8	20.0	8.0
Other Asia	6.0	-7.0	14.0	8.0
Latin America	5.6	-11.0	14.5	8.0
Africa + Middle East	8.3	-7.5	12.0	5.0

Import prices of goods (in USD) (annual percentage change)				
	Weights	2009	2010	2011
World	100.0	-11.6	2.7	1.7
Advanced economies	51.4	-11.6	1.5	0.4
Euro Area	27.2	-12.9	0.3	0.4
Austria	1.2	-9.4	-1.5	0.3
Belgium	2.4	-14.4	0.7	0.7
Germany	9.1	-13.5	-0.1	0.5
Spain	1.8	-14.3	0.4	0.7
Finland	0.5	-16.2	0.1	0.0
France	3.9	-10.7	-1.1	0.4
Greece	0.2	-12.6	-4.6	0.7
Ireland	0.9	-10.8	-3.1	0.7
Italy	3.4	-13.0	3.2	2.2
Luxembourg	0.1	-13.7	-0.8	1.2
Netherlands	3.4	-13.0	0.5	-3.1
Portugal	0.4	-14.8	3.8	4.2
United Kingdom	2.9	-14.4	0.7	1.9
Sweden	1.1	-17.9	3.8	-1.5
Denmark	0.7	-14.9	-1.2	1.1
Switzerland	1.4	-7.6	-0.6	-2.0
United States	8.5	-5.8	3.6	1.8
Japan	4.4	-13.2	7.7	-1.8
Australia	1.3	-10.8	-10.8	-1.8
New Zealand	0.2	-16.1	-5.8	-0.8
Canada	2.6	-7.3	4.7	0.8
Norway	1.0	-13.6	2.3	0.5
Iceland	0.0	-13.1	0.5	2.2
Emerging Economies	48.6	-11.7	4.0	3.1
C+E Europe	9.3	-11.9	4.4	3.1
Poland	1.1	-21.7	-2.1	1.4
Emerging Asia	25.3	-12.6	4.7	3.0
China	9.8			
NIEs	9.5			
Other Asia	6.0			
Latin America	5.6	-8.5	2.5	3.5
Africa + Middle East	8.3	-11.0	2.5	3.0

Export prices of goods (in USD) (annual percentage change)				
	Weights	2009	2010	2011
World	100.0	-12.5	3.6	1.9
Advanced economies	51.4	-9.2	0.7	1.0
Euro Area	27.2	-9.5	-2.4	1.0
Austria	1.2	-7.4	-3.3	0.6
Belgium	2.4	-12.3	-1.5	0.6
Germany	9.1	-7.9	-2.9	1.6
Spain	1.8	-10.5	-3.2	1.0
Finland	0.5	-13.5	-0.9	1.3
France	3.9	-9.0	-4.2	1.0
Greece	0.2	-14.5	-4.6	0.7
Ireland	0.9	-7.1	-0.3	2.2
Italy	3.4	-8.1	-2.8	2.2
Luxembourg	0.1	-9.3	-7.3	1.2
Netherlands	3.4	-13.8	0.2	-2.3
Portugal	0.4	-11.1	2.2	4.2
United Kingdom	2.9	-15.9	2.5	0.1
Sweden	1.1	-16.0	2.8	-0.5
Denmark	0.7	-11.9	-1.5	1.0
Switzerland	1.4	-2.2	-0.1	-0.5
United States	8.5	-5.8	3.6	1.8
Japan	4.4	0.4	3.6	-1.2
Australia	1.3	-13.6	7.2	6.2
New Zealand	0.2	-25.3	2.2	4.2
Canada	2.6	-17.8	11.1	0.2
Norway	1.0	-18.4	5.7	4.5
Iceland	0.0	-10.3	-1.0	2.2
Emerging Economies	48.6	-15.9	6.8	2.9
C+E Europe	9.3	-20.0	9.8	2.4
Poland	1.1	-16.9	-2.6	2.7
Emerging Asia	25.3	-8.0	5.0	3.0
China	9.8			
NIEs	9.5			
Other Asia	6.0			
Latin America	5.6	-14.0	6.5	4.0
Africa + Middle East	8.3	-32.0	9.0	2.5

Coe-Rexecode : l'analyse économique au service des entreprises et du débat public

1 Une mission de veille conjoncturelle

Coe-Rexecode assure un suivi conjoncturel permanent de l'économie mondiale et des prévisions économiques à l'attention de ses adhérents.

L'adhésion à Coe-Rexecode, c'est l'accès à :

- un éclairage permanent sur les évolutions de la conjoncture économique et financière mondiale,
- des prévisions macroéconomiques argumentées mises à jour chaque trimestre,
- un lieu d'échange avec les adhérents et les économistes de Coe-Rexecode dans le cadre de réunions mensuelles,
- une équipe disponible (économistes, statisticiens, documentalistes) à même de répondre rapidement à vos questions d'ordre macroéconomique.

Coe-Rexecode apporte à ses adhérents une compréhension de l'évolution de la conjoncture mondiale. L'insertion de l'équipe de Coe-Rexecode dans le monde de l'entreprise façonne l'originalité et la pertinence de ses analyses. Les travaux de Coe-Rexecode sont réservés de manière exclusive à ses adhérents.

2 Une mission de participation au débat de politique économique

La participation au débat public de politique économique est soutenue par des membres associés (issus des grandes fédérations professionnelles), la Chambre de Commerce et d'Industrie de Paris et des membres partenaires (entreprises). L'activité de participation au débat de politique économique comporte trois volets : des travaux d'études spécifiques, un cycle de réunions de politique économique et l'organisation des *Rencontres de la croissance*.

• Un cycle de réunions sur des questions de politique économique

Plusieurs thèmes d'actualité sont abordés lors de réunions de travail préparées par Coe-Rexecode auxquelles participent des représentants des membres associés et partenaires, des économistes et, le cas échéant, d'autres personnalités extérieures.

Les axes de nos travaux portent sur *le financement de la protection sociale, l'emploi, la compétitivité de l'économie française et l'évaluation économique des politiques de protection de l'environnement*.

• Les travaux d'études spécifiques

Coe-Rexecode conduit régulièrement des travaux d'analyse de secteurs-clés de l'économie française. Ces études visent à approfondir la connaissance du système productif qui constitue l'originalité de la démarche de Coe-Rexecode. L'objet de ces travaux est en particulier d'isoler les ressorts de la compétitivité de secteurs d'activité spécifiques et les leviers à actionner pour une politique économique de développement des entreprises.

• Les Rencontres de la croissance

Coe-Rexecode organise depuis 2003 les *Rencontres de la croissance*, placées sous la présidence du Premier Ministre. L'institut publie à cette occasion un ouvrage aux Éditions Economica, remis au Premier Ministre et largement diffusé. Les titres des ouvrages précédents étaient : *Des idées pour la croissance*, ouvrage recueillant les contributions de 77 économistes, *La croissance par la réforme et Demain l'emploi si...* (disponibles en librairie, Éditions Economica). Ces manifestations ont pour but d'éclairer l'ensemble des acteurs économiques et sociaux (entreprises, fédérations professionnelles, administrations, personnalités politiques et de la société civile...) sur les modalités et enjeux de la croissance, de débattre des réformes structurelles qu'elles impliquent, d'examiner le chemin parcouru au cours des dernières années et d'envisager celui qui reste à parcourir vers l'objectif d'une croissance durable au rythme de 3 % par an.

Les adhérents de Coe-Rexecode

L'adhésion à Coe-Rexecode est ouverte à tous, entreprises, administrations, fédérations professionnelles, quelle que soit leur taille. Les 80 adhérents correspondants de Coe-Rexecode comptent de grandes entreprises industrielles, des banques, des organismes de gestion financière, des fédérations professionnelles et des administrations. Les membres associés sont les adhérents qui soutiennent les études sur le système productif et la participation au débat de politique économique.