

Prices and exchange rates

Developments in relative prices and exchange rates affected the pattern of trade in 2007. Prices of metals, fuels, food and beverages, and other commodities were on the rise and all made headline news at one time or another during the year. Prices for metals, which had risen by more than half in 2006, continued to rise to new record levels in the first half of 2007 before falling back during the second half. For the year as a whole, prices increased by 18 percent for metals, by 15 percent for food and beverages, by 10 percent for fuels, and by 5 percent for agricultural raw materials⁵.

Export prices of manufactured goods were estimated to have increased by 9 percent in 2007, but rates varied widely by individual countries. For example, the WTO puts German manufacturing export prices rising by 10.2 percent, those for the U.S. rising by 3.2 percent, those for Japan edging up marginally, and those for Korea declining slightly. China's export unit value index for manufactured goods rose by nearly 5 percent in 2007. Moreover, different types of manufactured goods experience different price movements. Export prices for iron and steel products rose at double-digit rates, while prices for office and telecom equipment exports were estimated to have fallen. Export prices for chemicals were estimated to have risen faster than the average for all manufactured goods, while prices for automotive products increased at a slower rate.

Overall, prices of manufactured goods were less strong than those of primary products for the fourth consecutive year. Consequently, the shifts in relative prices had significant impacts on regional unit export values (prices), which ranged from increases of about 10 to 13 percent for Africa and the Middle East and the CIS regions to between 4 percent and 5 percent in Asia and North America.

Additionally, exchange rate developments in 2007 had significant impacts on the dollar price levels of internationally traded goods. The U.S. dollar depre-

ciated strongly (in terms of annual averages) against the major European currencies and the currencies of major exporters of resource products, such as Canada, Australia, and Russia. In Asia, the currencies of Hong Kong (China) and Taiwan remained relatively little changed against the U.S. dollar, while those of India, Thailand, and the Philippines appreciated by about 10 percent. The Chinese renminbi, or yuan, which is on a limited float against the U.S. dollar, appreciated by about 5 percent against that currency. According to the WTO, the combination of an export structure largely concentrated on electronics and other manufactures and a moderate average appreciation of the Asian currencies against the U.S. dollar kept Asian export price increases at about half the world average in 2007. In contrast, European export prices were estimated to have increased at double-digit rates, largely due to exchange rate changes.

Leading merchandise traders

After taking into account the annual variation in trade, there were a number of changes to the listings of the top individual exporting and importing countries (Table 2-2). As mentioned above, the United States was displaced by China as the second largest merchandise exporting nation. Italy recorded a strong export performance in 2007, as exports climbed by 17.9 percent above 2006 levels. In contrast, the U.K. experienced a decline in their exports from 2006 to 2007. As a result, Italian exports surpassed those of Great Britain, and Italy moved into the 7th spot in the list of leading exporters, while the U.K. fell to 8th place. Similarly, Belgian exports grew by 17.8 percent in 2007 in comparison to the 7.8 percent registered by Canada. With this performance, Belgium moved from the 10th position to the 9th, switching places with Canada.

There were two instances of switching places between the listings of top importers between 2006 and 2007. Again, faster import growth rates allowed Japanese imports to surpass those of the

⁵ According to the WTO press release quoting IMF statistics.