International Trade 1988/89 - Release Two

CAPITAL GOODS PURCHASES PROVIDE MAJOR BOOST TO WORLD TRADE

The value of world exports of capital goods reached about $850 billion in 1988, a 20 per cent increase over 1987 (compared with increases of 14 per cent for total merchandise and 17 per cent for all manufactures). Capital goods now account for about 30 per cent of world merchandise exports, up from 24 per cent in 1970 and 22 per cent in 1980.

These results are included in the first volume of International Trade 1988/89, published today.

The high level of capital goods trade was a direct reflection of the investment boom in many industrial and a number of developing countries last year. In the OECD area, the growth of gross fixed capital formation accelerated to 8.2 per cent in 1988, while the volume of non-residential investment rose an estimated 11 per cent, a rate of growth that has been matched only twice since the beginning of the 1970s. GATT's economists report that because business investment last year focused more on machinery and equipment than on structures, it gave a particularly strong boost to trade in capital goods.

In fact, for the United States, the Federal Republic of Germany, the United Kingdom and Japan - each of which experienced a domestic investment boom last year - the growth in the volume of capital goods imports has exceeded that of investment in the past two years.

* In Japan and the United Kingdom, imports of capital goods in 1988 expanded more than twice as fast as business investment.

* In the United States, about one-half of export growth and almost two-thirds of import growth in volume terms between 1986 and 1988 has been accounted for by capital goods.
Exports of capital goods from Hong Kong, the Republic of Korea, Malaysia, Singapore, Taiwan and Thailand together reached a combined total of $47 billion in 1987 (about 8 per cent of the value for developed countries). At the same time, these countries were important importers of capital goods - spending a total of $57 billion in 1987, which is almost one-half of the value of US capital goods imports and nearly four times larger than those of Japan.

Stimulated by the growth of production and trade in services, office and telecommunications equipment has been the most rapidly expanding area of capital goods trade thus far in the 1980s.