

The terms of trade

This research article has been prepared mainly by R. A. Allen and R. N. Brown of the Bank's Economic Intelligence Department.

Summary

Variations in the terms of trade, the ratio of export prices to import prices, can have important and diverse influences on the current account of the balance of payments and on other economic aggregates. This article identifies and analyses some of these influences, as they apply to the United Kingdom. The article starts by showing how changes in the prices of traded goods have contributed to changes in the current balance and then looks at the construction of various measures of the terms of trade. Movements in export and import prices and in the terms of trade are analysed, and the importance of relative primary product prices examined. The relationships between changes in the terms of trade and changes in competitiveness and the exchange rate are then briefly considered. The final section sets out some conclusions.

Analysis of current balance changes

Table A shows annual changes in the current balance since 1963. An indication is given of the contribution to changes in the balance of trade of price and volume (balance of real resources) movements. [1] Trade in fuels and in goods other than fuels is analysed separately. For invisibles only total changes are given. It must be stressed that Table A sets out accounting relationships only, which do no more than reflect the interdependence between prices and volumes without indicating any causal relationship.

The table reveals a number of interesting features. Until 1972, the change in the non-fuel trade balance owed most to shifts in the balance of resources, i.e. to changes in the volume of exports relative to that of imports. Thus, the deterioration of the current balance in 1967 almost wholly reflected a decline in the balance of resources. Correspondingly, the improvement of the current balance in 1968 and 1969 largely comprised a reversal of this movement in response to the adoption of restrictive fiscal and monetary policies and the longer-term effects of the devaluation of sterling in 1967, as well as the very rapid growth in world trade. The real resources balance declined strongly in 1972, and further in 1973, when UK demand was expanding rapidly.

Since 1972, however, movements in prices have been in general much larger. In 1973 and 1974 the terms of trade in goods other than fuels deteriorated sharply, largely reflecting the increase in primary product prices relative to those of

finished goods but also reflecting the depreciation of sterling. About half of this deterioration was reversed in 1975 when relative primary product prices fell and the depreciation of sterling was insufficient to compensate for the faster rate of inflation in the United Kingdom than in our trading partners abroad. The terms of trade in fuels also fell sharply in 1974 when oil prices rose dramatically.

In contrast, changes in the balance of resources in goods excluding fuels have been in general more moderate than price fluctuations in recent years. The balance of resources in fuels, however, has improved dramatically, with the coming on stream of North Sea oil and gas and some decline in energy consumption.

Measures of the terms of trade[2]

The terms of trade are generally measured by the ratio of export prices to import prices expressed in the form of an index. In practice, the available indicators of the prices of exports and imports are not 'pure' price indices, i.e. they are not based on the prices of individual goods. Instead, the price measures adopted for internationally traded goods are indices based on either *unit values* or *average values*.

Unit value indices (UVI) are compiled as follows. Every item of trade is allocated to a trade heading by HM Customs and Excise and its value and quantity recorded. These trade headings are amalgamated into groups of goods similar in kind, called 'divisions', which are then further aggregated into 'sections' and 'broad categories'. [3] The indices are calculated by measuring the 'price' of goods (p_n) in a particular trade heading (or groups of headings) by dividing their total value ($p_n q_n$) by their quantity (q_n). By multiplying this by the quantity of goods in the relevant heading in the base year (q_0) and dividing by the value of such goods in the base year ($p_0 q_0$) a measure of price movements relative to the base year would be obtained. In practice, not all trade headings within a division are sampled. For those which are, the index construction is carried out only when the sampled trade headings from each division have been amalgamated. [4] The UVI thus formed is taken as applicable for the whole of that division of goods; this assumes that the prices of goods in trade headings not sampled move in line with those which are. A UVI thus reflects pure price movements except to the extent that there are compositional changes among the goods comprising a trade heading.

[1] In any period, the trade balance may be represented as follows:

$$TB \equiv px - p'm$$

where TB is the trade balance, p and p' are the prices of exports and imports, respectively, and x and m are the volumes of exports and imports, respectively. The change in the trade balance (ΔTB) may be broken down into price (ΔTT) and volume (ΔBR) components:

$$\Delta TB \equiv \Delta TT + \Delta BR$$

where $\Delta TT = \Delta p_x x_0 + \Delta p'_m m_0$, and $\Delta BR = p_1 \Delta x - p'_1 \Delta m$.

Of course, the change in volumes can be valued at base as opposed to current period prices in which case the price effect would be calculated using current period volumes. The figures calculated on this basis are not dissimilar to those shown in Table A.

[2] An article by R. Sellwood and R. Schiller, 'United Kingdom overseas trade; unit value and volume index numbers and the terms of trade 1970-75', published in *Economic Trends*, April 1975, contains a more detailed treatment of this subject.

[3] The trade headings and their amalgamation follow an internationally recognised classification, the Standard International Trade Classification (SITC).

[4] The UVI formula is thus:

$$UVI_n = \frac{\sum p_n q_n}{\sum p_0 q_0}$$

This type of index is known as a 'Laspeyres' or 'base-weighted' index.

An average value index (AVI) is constructed in a similar manner except that it is an index of the ratio of the value of goods in current prices ($p_n q_n$) to the same goods measured in the prices of the base year ($p_o q_n$). [1] Thus, an AVI can be obtained directly for any level of aggregation, e.g. broad categories, whereas a broad category UVI is obtained by weighting the division indices according to the pattern of trade in the base year. While a UVI will reflect changes in composition only to the extent that they occur within each narrowly-defined trade heading comprising the UVI, an AVI will, in addition, be influenced by any changes in the composition of the trade categories considered. [2]

Once UVI and AVI for broad categories have been obtained, aggregate series for each can be constructed by weighting the broad category indices according to category shares in the base year. Comparisons of the aggregate AVI formed in this way (referred to henceforth as the 'intermediate' AVI) with the equivalent aggregate UVI will reveal the total extent of substitution within the broad categories (e.g. within the category food, drink and tobacco, substituting margarine for butter) but without indicating the categories in which most substitution has occurred. [3]

A different AVI may be constructed by taking the ratio of total trade in current prices to total trade in constant prices. This index (the 'overall' AVI) reflects the current composition of traded items and, when compared with the intermediate AVI, indicates the compositional changes which have taken place between the broad categories (for instance, if imports of raw materials were supplanted by those of finished manufactures, perhaps as the result of a shift in international specialisation). The 'prices' of exports and imports referred to in the footnotes on page 365 and underlying Table A are overall AVI, i.e. they incorporate both substitutional effects within trade categories and compositional changes between categories.

What the figures show

The analysis which follows is concerned with trade in goods, valued on an overseas trade statistics basis, and is confined to the 1970s because, as noted above, movements in the terms of trade in the 1963-70 period were not very significant. Until the beginning of this year, the published data described in this article were based on the pattern of trade in 1970 so that 1970 = 100. In early 1978, when UK external trade statistics were reclassified onto Standard International Trade Classification (SITC), revision 2, the Department of Trade also rebased the most recent data using the 1975 trade pattern and hence 1975 = 100. For the discussion which follows, two periods are chosen for comparison: 1970-74 (using 1970-based indices) and 1975-78 first quarter (using 1975-based indices). [4] Table B shows how the three price measures discussed above for goods excluding fuels have moved from

[1] The AVI formula is:

$$AVI_n = \frac{\sum p_n q_n}{\sum p_o q_n}$$

This type of index is known as a 'Paasche' or 'current-weighted' index.

[2] For example:

	Base period	Current period
Quantity of A	200	300
Quantity of B	100	80
Price of A	1	1.2
Price of B	2	3

The Laspeyres index increases by 35% while the Paasche index rises by only 30% reflecting substitution in consumption towards goods the price of which have risen less.

[3] The weighting of the broad categories is the same in the intermediate AVI and the aggregate UVI but whereas the aggregate UVI excludes to a large extent substitution effects within the broad categories, the intermediate AVI incorporates these.

[4] A true indication of the percentage change between two points on a Paasche index can only be given if one of them is the base year on which the index is constructed. See R. G. D. Allen, *Index Numbers in Theory and in Practice*, Chapter 4 (Macmillan: London 1973).

1970-74, together with the resulting terms of trade ratios, on the 1970 base: Table C gives similar data for the period from 1975 on the 1975 base.

Between 1970 and 1974 the export UVI rose by 56% and the import UVI by 80%: the terms of trade measured on this basis fell by 13%. As will be seen later, this decline in the terms of trade was associated with the sharp rise in primary product prices, and also with the tendency for UK import prices in the broad primary product categories such as food, drink and tobacco and basic materials, to rise faster than corresponding UK export prices. Between 1975 and the first quarter of 1978, the export UVI increased by 50% and the import UVI by 42%, reflecting some decline in primary product prices relative to those of finished goods and, within the primary product categories, a tendency for export prices to rise by more than import prices. In addition, a faster rate of price inflation in the United Kingdom relative to overseas was probably not fully offset by exchange rate depreciation over this period as a whole.

The next step is to compare changes in the export and import UVI with changes in the corresponding intermediate AVI: as noted above, differences between the two reveal the extent of substitution *within* the broad categories. If the two changes are identical, then either no substitution has taken place or substitutional changes have been offsetting. As Table B shows, in the 1970-74 period some substitution took place within the broad categories of both exports and imports but was somewhat greater on the import side. Thus the decline in the terms of trade measured on the basis of intermediate AVI over this period was less than the decline measured in terms of UVI. Table C shows that between 1975 and the first quarter of 1978 substitution within categories was slightly greater on the export side. The intermediate export AVI increased by 45%, five percentage points less than the increase in the export UVI, compared with a differential of three percentage points on the import side. Thus the terms of trade improved by slightly less on the basis of intermediate AVI than UVI. A comparison of the category indices in UV and AV terms shows where intra-category substitution took place (Table D). The AVI for most broad categories have tended to increase by less than the corresponding UVI. In 1970-74, substitution was more even in the import than in the export categories, but in both imports and exports most substitution took place in finished manufactures. Since 1975, finished manufactures again predominated in terms of substitution, other significant categories being semi-manufactures (imports and exports) and basic materials (exports only).

Comparisons of changes in intermediate and overall AVI in Tables B and C reveal the extent of compositional changes *between* broad categories. Over the 1970-74 period, such changes were in aggregate largely confined to imports, as the

intermediate and overall export AVI increased by almost the same amount. The impact of higher primary product prices on the overall AVI terms of trade was, therefore, softened by these compositional changes: thus, although the terms of trade ratio of intermediate AVI fell by 13% the ratio of overall AVI fell by only 11% (Table B). From 1975 to 1978 first quarter, however, compositional changes were not significant, or were offsetting, both on the export and import sides.

The tendency for intra-category substitution to be concentrated in finished manufactures may be a reflection of the nature of products in this category, which in general are more easily substituted for one another than products of other categories. However, substitution in UK exports in the recent past has also been significant in other categories and in aggregate has been greater than substitution in imports. These facts may be seen as support for the argument that the United Kingdom has shown a recent tendency to specialise in the production of cheaper product ranges, reflecting the loss of 'quality' goods markets. Considerable caution, however, needs to be applied in suggesting that this 'trading down' argument is supported by the data in Table D. First, it is difficult to see why the trading down argument should be applicable to the primary product trade divisions, because substitution within these divisions is more likely to be influenced by factors other than 'trading performance'. Secondly, within semi and finished manufactures substitution effects could reflect other factors, for example the tendency of consumers to substitute goods the prices of which have increased relatively slowly for those of which the prices have risen faster. In this respect, it is interesting to note that substitution effects in these categories have been just as great on the import side. Thus, the UVI terms of trade in finished manufactures have shown no tendency to decline significantly—indeed they rose steadily throughout 1977 when sterling appreciated at a time when the rate of price increase was on average greater in the United Kingdom than abroad (see Table F). *Ceteris paribus*, trading down by the United Kingdom might have been expected to have been accompanied by a decline in these terms of trade.

The influence of primary product prices

Several references have been made to the impact of changes in the prices of primary products relative to those of finished goods on the overall terms of trade. This effect arises because the United Kingdom is a net importer of raw materials and a net exporter of manufactures. Other things being equal, therefore, a relative increase in primary product prices will tend to lower the terms of trade: the sharp increase in oil prices in 1973 had this result. Perhaps the best measure of relative primary product prices is the ratio of the price of UK imports of finished manufactures to the prices of various other categories of UK imports—food, drink and tobacco, basic materials, fuels and semi-manufactures.[1]

Table E shows the movement of these ratios over the period 1963–77. The result is the expected one: an increase in the ratios relative to agricultural goods,[2] basic materials and fuels (though not against semi-manufactures) between 1963 and 1970, and a decline since, but with sharp fluctuations.

Finally, Table F shows the terms of trade (defined on a UVI basis) for selected trade divisions. Two interesting features

emerge. First, in each of the three main primary product divisions shown (food, drink and tobacco, basic materials and fuels) the terms of trade have tended to fall over time, i.e. in each division UK import prices have tended to increase by more than export prices, though this trend has been reversed since 1974. This decline will have had an adverse effect on the current balance which is separate from and additional to the adverse impact of a rise in primary product prices relative to those of finished goods, which was referred to above. Secondly, the terms of trade for finished manufactures have been extraordinarily stable over time, with the exception of 1977. This result is of particular interest because these terms of trade are more or less independent of changes in the relative prices of primary products and manufactures: it is certainly consistent with the hypothesis that over a long period of time successive devaluations have not significantly influenced the overall terms of trade (this point is returned to in the next section). However—and rather puzzlingly—this result conceals divergent trends and considerable fluctuation in the ratios for SITC categories 7 and 8 (finished manufactures) separately.

The terms of trade, the exchange rate and competitiveness

Conventionally, devaluation is expected to lower the terms of trade. Recent research[3] has, however, suggested that this effect may be only temporary and that in the long run the terms of trade may not be affected significantly by the exchange rate. The relationship between the two depends on three key factors: the extent to which export prices are determined by prices in domestic or foreign markets; the dependence of domestic prices on import prices; and the extent to which average earnings react to past and expected changes in domestic prices.

The initial effect of a depreciation of sterling would be to raise import prices in sterling terms by almost the full amount of the devaluation since changes in demand in the United Kingdom have little influence on world prices of imported goods. The initial impact on UK export prices may be less strong; indeed in the very short term UK export prices in sterling terms may rise only to the extent that exports are invoiced in foreign currencies. Thus the terms of trade will generally fall, i.e. import prices will have increased by more than export prices, the extent of the initial decline depending on the reaction of UK exporters to the exchange rate change—the more they tend to hold their sterling prices, the more the terms of trade will fall.

Over time, however, the terms of trade can be expected to rise again if export prices react further to the exchange rate change. The prices of more exports may be adjusted upwards in the light of the increase in the sterling equivalent of world prices. Also, domestic prices are likely to increase because of the devaluation, and thus, to the extent that they influence export prices, will tend to raise the latter. Domestic prices could react to the increase in import prices, reflecting both the higher cost of imported materials and the opportunities afforded to domestic producers to increase the prices of similar products. Furthermore, the rise in domestic prices could squeeze real incomes and may cause expectations about the future rate of price inflation to be revised upwards, with consequent upward pressure on average earnings and hence on domestic prices.

[1] Semi-manufactures are excluded from the numerator because they have a commodity content; import prices (rather than export prices) of finished manufactures are used in order to eliminate exchange rate effects.

[2] The treatment of monetary compensation amounts in the valuation of food imports from the EEC in the overseas trade statistics has varied in recent years, and no correction has been made for this in the published figures.

[3] See John Odling-Smee and Nicholas Hartley, 'Some effects of exchange rate changes', *Government Economic Service Working Paper No. 2* (HM Stationery Office: March 1978).

The extent of the rebound of the terms of trade will depend upon how far these three processes go. Full restitution of the initial terms of trade will be achieved in the long run if any one or more of the following three conditions holds: export prices are determined wholly in world markets; domestic prices react fully to the increase in import prices; or average earnings rise by the full amount of any increase in domestic prices and profit margins are held constant. In the Bank short-term model, manufactured export prices are determined with approximately equal weight by prices in domestic and overseas markets[1] while domestic wholesale prices increase by about 40% of any rise in import prices. These two results alone would ensure that approximately 70% of the initial terms of trade decline would eventually be restored.[2] The third factor, the effects on wages and prices, is more controversial and yet critical to the outcome. It is unlikely to be constant over time. Recent unpublished research in the Bank suggests that the reaction of earnings to a rise in expected prices has in fact been increasing over time and may now not be significantly different from being complete, save to the extent that this effect is mitigated by incomes policy or by a higher level of unemployment. In these circumstances the terms of trade could eventually return to their initial level following an exchange rate adjustment, though it must be stressed that the complete process is likely to take a long time—of the order of four or five years.

It has been argued that the UK terms of trade do not vary with the exchange rate other than in the short term because the United Kingdom is basically a price taker in world markets, i.e. except in the short term, UK export as well as import prices adjust fully to any change in the sterling equivalent of world prices. It is sometimes pointed out that the near stability of the terms of trade for finished manufactures over a long period of time supports this view. The problem with this argument is that it forces all the explanation on to one part of a highly interdependent system of price and wage determination and neglects other relationships which may have contributed to this result, namely the link between domestic prices and import prices and the interaction between domestic prices and wages. Moreover, the observed stability of these terms of trade may also have reflected the depreciation of sterling which has done much to offset the effects of excess UK price inflation on the balance of payments. The latter would tend to raise the terms of trade while depreciation would lower them; thus depreciation may have promoted terms of trade stability. The precise identification of the reasons why these terms of trade have tended to be stable is, of course, central to the assessment of the rôle of the exchange rate in the adjustment process.

To what extent will a deterioration in the terms of trade be associated with a gain in competitiveness? Consider the case where trade volumes respond to changes in relative prices—UK export prices compared with competitors' export prices on the export side and import prices relative to comparable domestic prices on the import side. Assuming that competitors' export prices move in line with UK import prices (both in the same currency), then for exports this measure of competitiveness is the exact inverse of the terms of trade while for imports the two will be closely (and again inversely) related.[3] Suppose, however, that trade volumes respond to movements in labour costs in the United Kingdom relative to overseas. In this case the extent of any link will depend on the reaction of earnings to changes in domestic prices. If the reaction is weak then this link will be tenuous. If the reaction is strong then the link will be stronger, but, as was noted above, neither the terms of trade nor competitiveness will be significantly affected by the exchange rate in the long run.[4] Recent work in the Bank[5] concluded that for manufactured exports relative unit labour costs were the most relevant measure of competitiveness but that for imports of finished manufactures the position was less clear cut.

Conclusions

Fluctuations in the terms of trade have had an important impact on the current balance in the 1970s. The sharp increase in the relative price of primary products (including fuels) to manufactures and the tendency of UK import prices of primary products to increase faster than corresponding export prices, contributed to a significant decline in the terms of trade in 1973 and 1974 which has only been partially reversed since. The terms of trade as measured by overall AVI benefited from compositional changes favouring cheaper trade categories in the 1970–74 period. Since 1975, however, the amount of substitution in imports has fallen sharply and between 1975 and the first quarter of this year was exceeded by that in exports. While this latter result is at first sight consistent with the hypothesis that the United Kingdom has been specialising in the production of lower priced goods, the fact that differences in the degree of substitution between export and import categories have been concentrated in basic materials and fuels, and the absence of any tendency of the terms of trade for finished manufactures to decline over time, cast doubt on the validity of this proposition. The terms of trade have also been influenced by exchange rate movements though it is possible these have little long-term influence. The relationship between the terms of trade and competitiveness may not be very strong.

[1] This is somewhat controversial in the sense that in some models, for example the London Business School model, manufactured export prices are wholly determined by world market prices after a relatively short lag, although the Treasury and NIESR models are similar to the Bank model in this respect. This point is returned to in the next paragraph.

[2] Strictly speaking this refers to the terms of trade in manufactures; the terms of trade in the various categories of raw materials are unlikely to be affected significantly by exchange rate changes as UK prices of these goods tend to be determined by world prices. Hence, somewhat over 70% of the overall terms of trade decline would be restored. The impact of an appreciation in the model would be symmetrical.

[3] Indeed, under these circumstances it is through the deterioration in the terms of trade and the associated improvement in competitiveness that the increase in the balance of resources is achieved. Some categories of trade volumes are believed to respond to changes in competitiveness with long lags and hence the initial improvement in the resources balance is insufficient to offset the impact of the deterioration in the terms of trade. Over time the terms of trade will tend to recover somewhat (see above) and volumes respond further. This is the familiar 'J' curve effect.

[4] Even though the exchange rate may not significantly affect UK competitiveness in the long run it may still be useful in assisting adjustment towards balance of payments equilibrium.

[5] See the article, 'Measures of competitiveness in international trade', by C. A. Enoch in the June *Bulletin*, page 181.

Table A

Price and volume components of current balance changes

	Change in current balance	Goods (excluding fuels, 1970 base)[a]		Fuels (1970 base)[a]		Balance of payments adjustments[b]	Services	Interest, profits and dividends	Transfers
		Prices	Balance of resources	Prices	Balance of resources				
		1964	- 487	- 56	-382				
1965	+ 313	+ 38	+267	+ 26	- 57	+ 3	+ 4	+ 42	- 10
1966	+ 154	+ 47	+124	+ 42	- 58	+ 1	+ 58	- 48	- 12
1967	- 403	- 8	-409	- 47	- 59	+ 33	+131	- 9	- 35
1968	+ 8	- 143	+ 18	- 108	- 29	+147	+175	- 45	- 7
1969	+ 749	- 144	+637	+ 48	- 48	+ 17	+ 57	+165	+ 17
1970	+ 268	+ 190	-185	+ 33	- 37	+129	+ 53	+ 58	+ 27
1971	+ 359	+ 206	+393	- 172	- 101	- 23	+124	- 51	- 17
1972	- 955	+ 98	-852	+ 6	+ 2	-237	+ 51	+ 29	- 52
1973	-1,134	-1,176	-436	- 322	- 29	+302	+ 36	+686	-195
1974	-2,592	-1,316	+534	-2,721	+ 216	+435	+181	+ 62	+ 17
1975	+1,736	+1,177	+879	- 379	+ 752	-430	+348	-519	- 92
1976	+ 718	- 22	-255	-1,207	+ 304	+827	831	+552	-312
1977	+1,426	+ 203	+400	- 180	+1,403	+ 54	+819	-877	-396

Sources: United Kingdom Balance of Payments (the 'Pink Book') and Monthly Review of External Trade Statistics.

[a] Overseas trade statistics basis.

[b] Adjustments needed to convert overseas trade statistics data for goods onto a balance of payments basis.

Table B

UVI and AVI measures and the terms of trade in goods excluding fuels[a]

1970 = 100

	Exports			Imports			Terms of trade		
	UVI	AVI	Overall	UVI	AVI	Overall	UVI	AVI	Overall
		Intermediate			Intermediate			Intermediate	
1970	100	100	100	100	100	100	100	100	100
1971	105	104	104	103	102	102	102	102	102
1972	111	108	108	107	105	105	104	103	103
1973	125	121	121	135	132	129	93	92	94
1974	156	151	150	180	173	168	87	87	89
Percentage change 1974 on 1970	+ 56	+ 51	+ 50	+ 80	+ 73	+ 68	- 13	- 13	- 11

Source: Monthly Review of External Trade Statistics.

[a] Overseas trade statistics basis.

Table C

UVI and AVI measures and the terms of trade in goods excluding fuels[a]

1975 = 100

	Exports			Imports			Terms of trade		
	UVI	AVI	Overall	UVI	AVI	Overall	UVI	AVI	Overall
		Intermediate			Intermediate			Intermediate	
1975	100	100	100	100	100	100	100	100	100
1976	120	119	119	121	120	120	99	99	99
1977	142	139	138	140	138	138	101	101	100
1975 1st qtr	95	95	95	97	97	97	98	98	98
2nd "	98	97	98	99	98	98	99	99	100
3rd "	102	102	102	102	101	101	100	101	101
4th "	106	106	105	106	105	105	100	101	100
1976 1st qtr	110	109	109	109	107	108	101	102	101
2nd "	116	115	115	117	117	117	99	98	98
3rd "	123	121	121	124	122	122	99	99	99
4th "	130	128	128	133	131	131	98	98	98
1977 1st qtr	136	132	132	137	135	136	99	98	97
2nd "	142	138	138	140	139	139	101	99	99
3rd "	145	141	141	143	139	139	101	101	101
4th "	147	143	143	142	138	139	104	104	103
1978 1st qtr	150	145	145	142	139	139	106	104	104
Percentage change 1978 1st qtr on 1975	+ 50	+ 45	+ 45	+ 42	+ 39	+ 39	+ 6	+ 4	+ 4

Source: Monthly Review of External Trade Statistics.

[a] Overseas trade statistics basis.

Table D**Percentage increases in the UV and AV indices of major trade categories^[a]**

	Food, drink and tobacco	Basic materials	Fuels	Semi-manufactures	Finished manufactures
<i>Standard International Trade Classification</i>	0+1	2+4	3	5+6	7+8
Exports					
1974 on 1970: ^[b]					
UVI	+48	+ 81	+281	+63	+50
AVI	+45	+ 84	+267	+57	+44
1978 1st qtr on 1975: ^[c]					
UVI	+43	+ 35	+ 41	+41	+58
AVI	+43	+ 31	+ 39	+39	+50
Imports					
1974 on 1970: ^[b]					
UVI	+93	+108	+368	+80	+52
AVI	+86	+101	+360	+72	+42
1978 1st qtr on 1975: ^[c]					
UVI	+38	+ 31	+ 38	+41	+50
AVI	+39	+ 30	+ 38	+37	+43

Source: *Monthly Review of External Trade Statistics*.

[a] Overseas trade statistics basis.

[b] Calculated from 1970 = based data.

[c] Calculated from 1975 = based data.

Table E**Relative primary product prices^[a]**

1970 = 100

	Ratio of the AVI of UK imports of finished manufactures to the AVI of UK imports of:			
	Food, drink and tobacco	Basic materials	Fuels	Semi-manufactures
1963	93	95	77	111
1964	93	94	81	110
1965	94	94	85	103
1966	93	94	92	99
1967	97	102	88	101
1968	105	106	86	102
1969	102	103	93	99
1970	100	100	100	100
1971	96	100	84	105
1972	92	99	86	104
1973	81	87	74	96
1974	76	70	31	82
1975	81	85	34	95
1976	90	86	32	99
1977	85	83	33	98

Source: *Monthly Review of External Trade Statistics*.

[a] Overseas trade statistics basis.

Table F**Terms of trade in selected divisions^[a]**

1970 = 100

	Food, drink and tobacco	Basic materials	Fuels	Semi-manufactures	Finished manufactures
1963	104	112	95	106	99
1964	102	108	97	107	96
1965	105	105	99	105	100
1966	106	110	105	105	103
1967	102	105	99	105	102
1968	102	102	92	99	98
1969	105	102	96	97	98
1970	100	100	100	100	100
1971	99	102	94	104	102
1972	99	107	94	104	104
1973	84	101	101	95	98
1974	77	87	81	91	99
1975	81	92	82	103	102
1976	86	92	79	100	100
1977	86	90	84	102	106

Source: *Monthly Review of External Trade Statistics*.

[a] Ratio of UVI expressed in index number form, overseas trade statistics basis.