General Understanding of the Prediction on International Market Performance Indicators

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One of the important tasks now in bringing about a turn in foreign trade is to make economic analysis and judgment on foreign markets and on this basis, develop foreign trade as required by the Party's policy.

The great leader Comrade **Kim Jong Il** said as follows.

"We have to trade with the capitalist market, and it is impossible for us to do so well without understanding the capitalist market and world economy." ("**KIM JONG IL** SELECTED WORKS" Vol.14 P. 152)

Grasping the changes in market performance in time and predicting them is an important requirement in conducting the trade with foreign countries in international markets.

When we do researches into the changes in international market performance, we can correctly discover and predict the relations of supply and demand for commodities, price changes, trade and transportation situation and the changes of transportation prices, thus boosting foreign trade positively in accordance with the changes of the capitalist market performance.

This is particularly important in conducting foreign trade in an appropriate way and defending the interests of the country as the international market performance changes in a more complicated and severe state than before owing to the impact of worldwide financial crisis.

Predicting the international market performance is an undertaking to anticipate market performance on the basis of the analysis of the international market in a certain period.

This enables us to envisage the market of imports and exports, trade quantity, period and price, and to take proper measures.

Market performance is expressed in economic indicators. The performance can be judged comprehensively only through the indicators derived from logical reasons and accurate data.

Market performance can be determined by the indicators reflecting the aspects of economic circumstances such as production, employment, wage, credit and circulation of money, of which the index of performance trend and general index of performance are important.

Trend index is one of the indexes which characterize overall performance changes and it is created by choosing 30 time series of major indicators.

As it predicts the changes of overall performance by combining performance changes of all sectors, it becomes a convenient indicator in predicting the direction of performance change. Good use of performance indexes makes it possible to grasp the performance changes in international markets in a given period and cope with them positively.

However, with the trend index alone, it is difficult to find out the width of the change. 80 percent of indexes of performance trend expresses that 80 percent of total time series increases or maintains the level, while it doesn't express that the width of increase is great or speed is fast. It is an index reflecting the direction of performance, not the strength or weakness of market performance.

Trend index estimates and synthesizes each time series with the same the gravity, but in practice, each time series has different influence on the overall changes of market performance. In other words, it doesn't attach particular importance to the change of time series consisting of a leading sector of a certain country or a market. For this reason, there may exist the possibility that the economy declines or stagnates even though the index of performance trend is over 50 percent. General index of performance is used in order to make up for the weakness.

General index of performance makes it possible to find out the width and speed as well as the direction of the change. Trend index judges the performance by measuring the tendencies of increase or decline in the overall economy, while general index predicts the total rate of performance change in direction, scale and speed by synthesizing the rate of change of each index in comparison with the previous period.

The change of the general index of performance nearly coincides with the overall process of performance. In other words, the increase in general index of performance means the increasing phase of business performance, and the drop declining phase. The peak and furrow coincide with those of business performance and indicate the state of performance, i.e., its strength or weakness.

When the trend index and general index of business performance are used together, the direction and width of the performance can be predicted.

In addition, many indicators can be used in analyzing and predicting market performance such as gross domestic product, finance and investment in equipment, stock and.

The prediction of the indicators of the international market performance is made on the basis of the analysis of indicators characterizing the change of market performance.

In its prediction, the statistical data of necessary business indicators are collected and analyzed systematically to understand the aspects of the performance cycle, commodity market and the trend of performance change.

For example, we can collect and analyze statistical data on the demand and the total stock for an individual commodity in the international market. As a result we can predict that the production and price will fall if the demand decreases and the total stock increases.

In predicting the indicators of international market performance, we should, first of all, choose necessary business indicators according to the prediction task.

The indicators include those which will influence market performance continuously in a certain period among the indicators reflecting market performance up to a given period. To this end, those influencing the market business temporarily or accidentally should not be chosen.

For example, abnormal climatic conditions, earthquake, strike, war etc influence the business performance accidentally and temporarily, and therefore the business performance indicators should be chosen differently according to the aspect of the performance cycle.

Indicators of market performance should also be chosen according to the aspect of the performance cycle.

Performance indicators differ when one aspect of performance cycle switches over to another. For example, at the beginning of the economic crisis, indexes of circulation, level of consumption, production of long-life commodities should be chosen. This is because the sign of crisis appears first in such indicators.

In a crisis, indicators for the relations between production and consumption, stock and price and the like should be chosen and in economic recession, indicators for the changes in the amount of order for machinery and equipment and production of the means of production reflecting the renovation of fixed assets should be chosen.

Next we should collect the statistical data on performance indicators after the indicators are chosen in predicting the international market performance indicators.

When the change of collected statistical figures is small, the period of collecting statistical data should be long and when it is large, it should be short. The total period of collecting statistical data should be set so as to fully reflect the trend of changes in a given performance indicators.

We should also draw up a table or flow chart according to the time on the basis of the collected statistical data and find out the characteristics of change in a given performance indicator. In other words, the direction and level of change of a given performance indicator should be discovered in the table or flow chart.

When the characteristic of the change in a performance indicator is determined, we draw a conclusion on the prospect of performance change.

This is the way of concluding the prospect of market performance change on the basis of all chosen performance indicators.

What is important in ensuring the accuracy of prediction on the international market performance indicators is, first of all, to make comprehensive analysis of all performance indicators in close combination. This is because they are correlated with each another.

It can be said that market performance increases when production increases, for the production gives decisive influence on the market performance. However, increased production such as overproduction or excess supply can be regarded as the start of economic recession. This is because in this period stock of commodities increases with declining shipment due to increased production.

This means that the prediction can be made correctly when the indicators of production are analyzed comprehensively in correlation with stock indicators.

What is also important in ensuring the accuracy of the prediction is to make the prediction comprehensively in connection with the economic performances of major capitalist countries

The economies of capitalist countries depend on and restrain each other. Therefore, the change of business performance in a country influences other country one way or another. In particular, the larger share the county takes in commodity transactions with the world capitalist market, the greater the influence on the overall capitalist market grows.

For example, when the demand for steel decreases and import reduces in a steel-importing country, steel industry of a steel-exporting country has to decrease its production. Consequently, the country decreases the import of pig iron for steel production and as a result, the price of pig iron falls. For this reason, the course of business cycle in capitalist countries differs from one another, but it occurs mainly in the same period.

Therefore when we make researches into international market business performances or an individual commodity market performance, we should systematically consider not only the business performances of countries with which we have trade relations but those of major capitalist countries with which we don’t have any trade relations.

When the performance of an individual commodity market is studied, we should particularly consider major exporting or importing countries of the commodity in the comprehensive way.

Another important matter in ensuring the accuracy of the prediction is to predict the performance indicators of an individual commodity market on the basis of the analysis of general business performance in a given period, paying attention to the particular factors influencing the business performance of a given commodity market.

The prediction should be based on the correct evaluation of the course of business performance. It is because the performance of an individual commodity market is largely linked with the general business performance in a given period.

It is important to pay attention to the factors influencing the business performance of a certain commodity market. This is because the general performance of an international market has different influences on the performance of an individual commodity market, and peculiar factors affect the business performance of each individual commodity market.

For example, in predicting the performance of a grain market, careful attention should be paid to sowed area, crop condition, harvest yield, natural disaster and so on as well as the indicators of production, consumption, stock, export, import, price and the like.

Finally, it is important to predict the business performance indicators of an individual commodity market in close combination with the prospect of the economy sector, major consumer of a given commodity.

For instance, it is necessary to predict the performance of a leather market in close combination with the prospect of leather shoe industry, and that of copper market in connection with electricity industry, and that of equipment market for road construction in a close correlation with trend of road construction, and that of textile machinery market in relation to the prospect of textile industry.

We should undertake extensive researches into the international market performance and accurately predict the changes in market business performance in order to conduct the trade in accordance with the changes in market performance.