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Raw material markets

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Index Numbers of World Market Prices of Foodstuffs and Industrial Raw Materials

Index and commodity group	1966		1967				
	November	February	May	August	November	Nov. 17	Dec. 1
HWWA-Index 1 (1952—1956 = 100)	92.4	92.6	92.6	90.5	94.2	93.7	96.0
Foodstuffs	83.8	85.0	87.8	83.5	87.9	88.2	88.5
Raw materials other than foodstuffs	96.5	96.3	94.9	93.9	97.3	96.4	99.6
Fuels	95.6	95.2	95.0	95.3	96.5	96.6	96.6
Raw materials for consumer goods	91.2	92.6	91.7	89.7	89.4	88.3	93.1
Raw materials for capital goods	101.5	99.9	96.9	95.2	103.3	101.7	107.2
Reuter's Index (18. 9. 1931) = 100	425.3	432.5	438.6	420.7	456.6	445.1	490.5
Moody's Index (31. 12. 1931 = 100)	369.0	369.1	372.7	367.2	362.8	363.1	363.0

¹ Index compiled by the Hamburg Institute for International Economics.

The prospects for another expansion of world trade in 1968 are improving in line with a progressing stimulation of demand in the United States and the overcoming of the cyclical decline in Western Europe. After in the first phase of recovery or consolidation, respectively, in each case the domestic producers obviously profited most, in the next year international trade will also reflect increasingly the stimulation of demand for industrial products as

well as raw materials. In this connection it will be decisive for the less developed countries, whether the speed of expansion in industrial states—and with that the increase of demand for raw materials—will suffice for a recovery of raw material prices. As there are quite a few indications to this effect, the developing countries—just due to their restraint in the current year—will be able to gradually increase their imports again.

(+ 3 per cent), New Zealand (+ 4 per cent) and South Africa (+ 6 per cent) will more than compensate the anticipated lower yields in Argentina and the USA. In 1967/68, the total wool supply available will even grow by approximately 8 per cent as compared with the previous season, because due to sales difficulties producers' stocks trebled from mid-1966 to mid-1967 to 330 million lb. These stocks, however, partly consist of wool qualities being slow of sale, so that the price pressure for high-quality kinds, originating from the wool surplus, will probably be very limited.

Raw Material Markets

Further Depression of Wool Prices

In the producer countries, on July 1, 1967, the new wool season started with lower prices than at the closing auctions of the season 1966/67. During the first months of the current season, prices continued falling slowly, in September and October, however, they could keep their lower level. Then, in mid-November, there was another sharp price decline; in Bradford, prices were only 104 d/lb for 64' wools and 62 d/lb for 56' crossbreds. Thus they were 9 per cent and 29 per cent, respectively, below the preceding year's level. So, the price increase to 119 and 77 d/lb, respectively—decided after the devaluation of pound—has obviously nothing to do with the market situation.

First, a lack in buying interest became noticeable, above all with regard to lower qualities. Due to the bad sales situation for crossbreds the New Zealand Wool Commission, for instance, was obliged to cut the lower price limit for its backings from 30 to 19½ d/lb. But recently also high-quality Australian Merino kinds were difficult to sell, although—as an impact of the strong economic boom—a considerable demand from Japan, the main wool buyer, could be noticed

In the current season 1967/68, world wool production is—whith 3,437 million lb, cleaned—to grow by 2 per cent against 1966/67. The higher production in Australia

In the current season, the revival of demand will have a price supporting effect in the wool markets. In connection with the beginning business upswing, in some important processor countries wool consumption, which during the first half of 1967 still showed a decline of 10 per cent, meanwhile should presumably slightly increase again. Moreover, in the next months, processors will rather be inclined to supplement their considerably reduced stocks. However, the pound devaluation and the resulting restriction measures in Britain, which is one of the greatest wool consumers, will perhaps make processors temporarily show a certain reserve.

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