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Raw material markets: Lasting slump in the rubber market

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

Index and commodity group	1966				1967		
	Feb.	May	Aug.	Nov.	Feb.	Feb. 17	March 3
HWWA-Index 1 (1952—1956 = 100)	98.8	96.9	93.5	92.4	92.6	92.5	92.2
Foodstuffs	86.9	85.3	85.1	83.8	85.0	85.1	84.1
Raw materials other than foodstuffs ...	104.6	102.5	97.6	96.5	96.3	96.0	96.1
Fuels	95.6	95.5	95.4	95.6	95.2	95.2	95.1
Raw materials for consumer goods ..	92.7	96.3	95.2	91.2	92.6	92.5	92.6
Raw materials for capital goods	121.6	113.8	101.8	101.5	99.9	99.2	99.4
Reuter's Index (18. 9. 1931 = 100)	472.0	463.3	443.0	425.3	432.5	432.4	429.1
Moody's Index (31. 12. 1931 = 100)	414.5	397.4	394.3	369.0	369.1	368.8	366.9

¹ Index compiled by the Hamburg Institute for International Economics.

11%. With that the developing countries' balance of trade, that in 1966 on the whole showed an unchanged small deficit (fob values) as compared with the previous year, seem to show a more pronounced deficit again.

Therefore it is no accident that the continuous growth of the developing countries' currency reserves, by mid-1966 was followed

up by a slight reduction. Although for the time being the liquidity of the developing countries permits a continuation of their import increase, at least the latter's limitations are becoming visible. Thus from this side a more pronounced compensation for the damping effects—to which world trade will be subjected due to the recession in numerous industrial states in the current year—cannot be anticipated.

second half of 1966 processors wanted to keep their stocks as small as possible. Under these circumstances even in view of a temporary stagnation of world production (January-September 1966: 1.685 million lgt; January-September 1965: 1.695 million lgt) a further price decline was inevitable, particularly because early in 1966 world stocks had grown to 812,500 lgt.

Raw Material Markets

Lasting Slump in the Rubber Market

Prices in international natural rubber markets continued declining during the last months, after in autumn 1966—due to the announcement of the North American General Services Administration (GSA) to restrict rubber sales—a temporary upward trend could be observed. On February 17, 1967, the standard quality was quoted at only 20.55 cts/lb on the New York Rubber Exchange. Thus the rubber price has fallen by 28.5% since the beginning of the downward movement in May 1965.

At first the strong production increase in 1964 and 1965 and the steadily growing sales out of the American stockpiles formed the background of the price fall in the rubber markets. The price decline would have been even more dis-

tinct if world consumption had not risen acceleratedly during the last years. Thus still in 1966 for instance consumption increase is supposed to have amounted to approx. 160,000 lgt (1965: +92,000 lgt).

Since spring 1966, however, demand of rubber processors has fallen noticeably. Consumption increase declined from one month to the other as compared with the previous year, because expansion of industrial production was slowing down in the western world. Above all during the last months production stagnations have occurred in the motor industry, the most important rubber consumer. Demand reluctance in the rubber markets became more noticeable by the fact that because of worldwide credit restrictions in the

In 1967 the price weakness in the rubber markets must be expected to continue. Due to slowed down cyclical expansion in the western industrial countries rubber consumption will only increase by 60,000 lgt to 2.580 million lgt according to an estimation of the International Rubber Study Group. In contrast to this in 1967 with 2.575 million lgt natural rubber supply by production and stockpile releases will be 130,000 lgt higher than in 1966. Even under the assumption that in the consumer countries stocks will be increased by 20,000 lgt demand will show only a slight surplus of 25,000 lgt. This can easily be met by the many times larger rubber stocks of producer countries. In addition the production capacities for synthetic rubber have been widened more than consumption and producers therefore have to endeavour constantly to substitute synthetic for natural rubber.

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Edited by The Hamburg Institute for International Economics (Hamburgisches Welt-Wirtschafts-Archiv), Director: Prof. Dr. Heinz-Dietrich Ortlieb, and The German Overseas Institute (Deutsches Übersee-Institut), President: Prof. Dr. Dr. h. c. Andreas Predöhl. Editorial staff: Dietrich Keschull (managing editor), Hubert Höping (editor), Karl-Muck-Platz 1, Hamburg 36, published by Verlag Weltarchiv GmbH., Eppendorfer Landstraße 106, 2 Hamburg 20. Advertising Representative: Dr Hans Klemen. Printed by Otto Schwitzke, 2 Hamburg 70. Annual rate of subscription DM 48,— (US-\$ 12,—). Copyright by Verlag Weltarchiv GmbH.