

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

Raw Material Markets: Demand stimulation in the wool market visible

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1967) : Raw Material Markets: Demand stimulation in the wool market visible, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 4, pp. 112-, <https://doi.org/10.1007/BF02927679>

This Version is available at:

<https://hdl.handle.net/10419/137732>

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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.	March 3	March 17
HWWA-Index ¹ (1952—1956 = 100)	98.8	96.9	93.5	92.4	92.6	92.2	91.9
Foodstuffs	86.9	85.3	85.1	83.8	85.0	84.1	84.2
Raw materials other than foodstuffs ...	104.6	102.5	97.6	96.5	96.3	96.1	95.6
Fuels	95.6	95.5	95.4	95.6	95.2	95.1	95.1
Raw materials for consumer goods ..	92.7	96.3	95.2	91.2	92.6	92.6	91.9
Raw materials for capital goods	121.6	113.8	101.8	101.5	99.9	99.4	98.5
Reuter's Index (18. 9. 1931 = 100)	472.0	463.3	443.0	425.3	432.5	429.1	424.6
Moody's Index (31. 12. 1931 = 100)	414.5	397.4	394.3	369.0	369.1	366.9	367.4

¹ Index compiled by the Hamburg Institute for International Economics.

drop in vacancies is to be regarded as another piece of evidence. But even so the continuing decline in vacancies is to be clearly observed in the Federal Republic of Germany, Britain, the Netherlands, Sweden, and—though not so marked—in Belgium. In France the slightly increasing number of vacancies seems to point at bottlenecks in individual occupations. With few exceptions fewer vacancies than unemployed persons have been registered in Western Europe in the last months.

Although relaxation in West European labour markets hitherto was very limited only, it could already be noticed that from this side pressure is quickly brought to bear on political authorities, wanting them to make employment the yardstick for stabilisation. Besides, the realisation of medium-term growth targets is presupposing anyway the best possible utilisation of labour force supply. Therefore the West European labour markets will—in the long run—continue to be characterised by a lack of manpower.

processing countries wool consumption clearly decreased by 9 % between the third and fourth quarter of 1966. Besides, in Great Britain, the biggest wool consumer, and in some West European countries the expensive stock financing led to an advanced reduction of stocks, so that here demand decreased even more strongly than consumption.

In general, for the first half of 1967 the most important processing countries are expecting a consumption growth which in view of the slowed down cyclical upswing in the Western industrial countries will be very small. Nevertheless a distinct revival of demand for wool can be expected, because stocks of processors temporarily were reduced to a minimum, so that total demand for current production has to be met now by purchases in the market.

The expected firm trend of wool prices will hardly include all wool qualities. The competition of synthetic fibres is hampering an increase in the consumption of several wool types, above all since in Britain nylon prices have been reduced. Mainly lower-grade wools and the New Zealand crossbreds are affected by this, whereas the Australian merino wools, of which chiefly high-grade worsteds are made, are still finding a good market.

Raw Material Markets

Demand Stimulation in the Wool Market Visible

Contrary to initial expectations wool prices decreased almost constantly during the season 1966/67. So e.g. at present prices for 64' Wooltops in Bradford with 113 d/lb were 9 % below the level at the beginning of the season. In New Zealand the state-owned Wool Commission is buying considerable quantities of wool offered on auctions, and in Australia in early 1967 merino prices were on the lowest level of the current season. Meanwhile Australian wool prices have recovered slightly due to reviving demand.

The general price weakness has consolidated, although this season

the raw wool supply was below that of the past season. Admittedly, with 3,297 million lbs (cleaned) the production in 1966/67 is likely to lie 1 % above the wool clip in 1965/66, but with 99 million lbs at the beginning of the current season stocks were 37 % smaller than the preceding year. In total, supply in 1966/67 will amount to 3,396 million lbs as against 3,428 million lbs in the season 1965/66.

The weak position of the wool market must be traced back above all to the temporary decrease in wool consumption. In 1966 overall consumption grew by 3 %, but in seven of the most important wool

INTERECONOMICS • Monthly Review of International Trade and Development

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