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Raw material markets: Decline in wool prices

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unfavourable business trends in the most important purchasing countries.

In the next months the economic development in the United States will be marked by competing claims of public authorities and private enterprise to productive capacities. For one thing, the increase of military expenditure will show its full impact, and, for another, the demand of private households and enterprises should rise at an accelerated pace, last but not least due to stimulating measures taken a short while ago. This, however, increases the risk of overshooting production factors, promoting considerably the tendency towards rising prices and a further deterioration of the balance of payments. Therefore the Administration is endeavouring to carry through as rapidly as possible its proposed tax increases.

Raw Materials Markets

Decline in Wool Prices

During the wool season (1966/67) that elapsed at the end of June, prices in the international raw wool markets have noticeably fallen. Granted, the Middle East war led to a slight price advance, because after the blockade of the Suez Canal a temporary delay in supplies of Australian Merino wool was expected in Western Europe. But meanwhile quotations have continued to recede. At the end of July 1967, for instance in Bradford, for 64' wooltops they were about 9 per cent and for 56' crossbreds even about 14 per cent below the previous year's level.

Due to the slack business trend in many Western industrialised countries wool consumption declined considerably in the second half of 1966. Additionally, stocks in the consumer countries were reduced, so that demand for wool decreased strongly, although according to the latest estimates in the season 1966/67 consumption with 3,350 million lb—cleaned wool—was higher than production amounting to 3,343 million lb. The supply-demand ratio for the two most important wool types showed a differing development. As already visible from the smaller price decline, the Australian Merino types could be sold much better than the crossbreds of minor quality mainly coming from New Zealand. New Zealand proceeds from wool exports diminished considerably. Moreover, the New Zealand Wool Commission had to buy 573,000 bales, i.e. 55 per cent of total wool supply, between July 1966 and May 1967. This stock naturally depresses prices.

The revival in wool consumption during the first months of 1967, to be noticed above all in Britain, will for the time being make only slow progress, as hitherto in important consumer countries measures to promote business had only meagre success. A slight increase in demand is, however, likely, because processors will presumably soon begin to fill their dwindled wool stocks again. But a stronger rise in wool prices is not very probable for the season 1967/68 in view of wool production being presumably by 2 per cent higher. Producers are hardly interested in wool prices being "too high", as thus competitiveness of wool vis-à-vis the cheap synthetic fibres would decrease.

Continuously depressed prices for crossbred wool less in demand must be reckoned with. In order to raise its sales, the International Wool Secretariat planned special advertising measures. The use of crossbred wool is to be promoted particularly for carpets and upholstery. Finally a decline of the minimum price is not quite impossible in New Zealand.