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Raw material markets: Further decline of rubber prices

Intereconomics

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

Index and commodity group	1966	1967					
	October	January	April	July	October	Nov. 3	Nov. 17
HWWA-Index [1] (1952—1956 = 100)	92.6	92.3	91.8	90.9	92.2	93.1	93.7
Foodstuffs	83.7	83.7	86,0	83.9	86.8	87.9	88.2
Raw materials other than foodstuffs ...	96.8	96.4	94.5	94.2	94.8	95.6	96.4
Fuels	95.5	95.2	95.0	95.1	96.2	96.2	96.6
Raw materials for consumer goods ..	91.2	92.5	91.6	90.7	89.2	88.9	88.3
Raw materials for capital goods	102.3	100.2	96.1	95,8	97.2	99.6	101.7
Reuter's Index (18. 9. 1931 = 100)	429.1	425.6	429.8	428.3	426.6	432.1	445.1
Moody's Index (31. 12. 1931 = 100)	371.1	370.7	360.5	372.6	360.4	362.4	363.1

[1] Index compiled by the Hamburg Institute for International Economics.

year. An enhanced upward trend of prices is not yet to be anticipated. Thus in 1968 consumption in real terms will expand slightly also in the Federal Republic (+ 0.5 per cent) and noticeably more so in Britain (+ 2.5 per cent) than in 1967. A higher increase is to be expected in France (+ 4 per cent), while in Italy (+ 6 per cent) it will be the highest one again. In Western Europe as a whole private consumption should grow by about 3 per cent in real terms.

Raw Material Markets

Further Decline of Rubber Prices

The Middle East war entailed a relatively stable price tendency in the international rubber market. In August, however, a new depression of prices set in again, which was only temporarily stopped by a Malaysian price supporting measure. At present, prices at the London and New York exchanges with 14 5/8 d/lb and 18.2 c/lb, respectively, for the standard quality have reached the lowest level since the war.

A further rise in world production and the decline of consumption, lasting until recently, must be blamed for the price pressure in the natural rubber market. But different special influences, which under normal circumstances would have caused an upward trend of prices, had no effect. So, the cut of the American stockpile sales from 120,000 lgt to 70,000 lgt per annum, the termination of the strikes in the five biggest US tyre firms and in the automotive industry as well as the war in Nigeria, where after all 70,000 lgt rubber come from per annum, had no influence on the price development in the rubber market.

Also the attempt of the Malaysian government to maintain rubber prices by buying up had no constant success, as this measure was not supported by other producer countries. So e.g. Indonesia delivered considerable quantities to Kuala Lumpur and Singapore, which then—apart from the own production—would have had to be bought up, too.

For 1967, an increase in production of natural rubber by slightly more than 4 per cent to approximately 2.5 million lgt is anticipated. The consumption rise of 3 per cent, as compared with the preceding year, as was formerly estimated by the International Rubber Study Group, will, however, not be reached. A decline in consumption by probably 1 to 2 per cent to 2.49 million lgt must rather be expected, so that—considering 70,000 lgt stockpile releases—there will be a statistical oversupply of approximately 80,000 lgt. As a result of this contrary development of production and consumption, particularly in the producer countries, a strong growth of stocks has set in.

In connection with the cyclical upswing in the Western industrial nations, rubber consumption will rise again during the next months. But higher rubber prices cannot be anticipated in the near future, above all as Malaysia will make efforts to get rid of the stocks having accumulated by backings. Moreover, especially Indonesia is supposed to intensify its production, in order to turn the restriction of production decreed by Malaysia to its advantage. Other important producer countries, however, agree with Malaysia that prices in the natural rubber market must be stabilised by means of an international regulation agreement.

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