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Raw material markets: Tin prices under pressure

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

Index and commodity group	1966	1967				1968	
	December	March	June	September	December	Jan. 5	Jan. 19
HWHA-Index 1 (1952-1956 = 100)	92.4	91.9	92.2	90.9	97.0	97.2	97.4
Foodstuffs	84.5	84.0	86.8	84.9	90.3	90.5	91.1
Raw materials other than foodstuffs ...	96.1	95.7	94.8	93.8	100.2	100.5	100.5
Fuels	95.2	95.1	95.1	95.7	96.3	96.2	96.2
Raw materials for consumer goods ..	92.4	92.1	91.7	89.5	93.8	93.2	92.2
Raw materials for capital goods	99.6	98.8	96.6	94.7	108.2	109.8	110.4
Reuter's Index (18. 9. 1931) = 100	423.6	425.8	445.2	418.3	499.0	505.0	501.0
Moody's Index (31. 12. 1931 = 100)	374.4	366.2	373.8	363.9	364.3	362.8	361.0

¹ Index compiled by the Hamburg Institute for International Economics.

yet, but a first and indispensable step in this direction has been made. The increased pressure on the dollar even forces the United States to intensify its endeavours for an elimination of the balance of payments deficit, and in Britain economic policy must still enforce a change in the direction of pro-

duction factors towards exports and a substitution of imports, respectively. The continental European economies alleviate even more these processes—that by all means are to their long-term interest—the more they utilise the scope for expansion created by the sluggishness.

After the pound devaluation the lower intervention price of the Tin Pool was lifted to 1,400 £/lgt in order to enable the Tin Pool to carry out further backings. Early this year, it came to the market's notice that the Pool had indeed effected considerable purchases. Total purchases made by the Pool up to now are estimated at 5,000 lgt, for which one fourth of the cash funds were spent. As the means of the Pool are not inexhaustible, an export restriction is expected to be striven for on the next session of the International Tin Council, in order to reach a price supporting effect.

Raw Material Markets

Tin Prices under Pressure

Prices in the international tin markets remained under pressure also in the second half of 1967, if one leaves out of account the extraordinary lifting of the pound quotation in connection with the devaluation of sterling. From August till the end of October, cash prices at the London Exchange largely lay under the intervention limit of the International Tin Pool of 1,200 £/lgt. A further decline in prices was prevented only by purchases of the Pool on the free market. Moreover, the market price was supported by the fact that the American stockpile authority raised its selling price to 154 c/lb—i.e. 1,236 £/lgt—and that consequently tin purchases fell to a negligible minimum.

It was not before the end of October 1967 that the 1,200 £ mark was surpassed at the London Exchange, as, due to rumours about an approaching pound devaluation, the European processors effected hedge purchases. In mid-November the devaluation proper caused a strong rise in prices to nearly 1,360 £/lgt for cash qualities in London, since the most important tin producers in the sterling area did not devalue. The correction in prices did, however, not correspond to the full percentage of the pound devaluation. In addition, the quotation meanwhile fell to 1,334 £/lgt because of the market situation remaining unfavourable for producers.

The statistical situation in the tin market is more and more tending towards a production surplus. During the first eight months of 1967, production of metallurgic tin in the Western world rose by 16 per cent to 118,300 lgt (1966: 102,000 lgt). Consumption with 111,300 lgt remained, however, almost stable during the same period. But in the course of reviving business trends in Western Europe, tin consumption is supposed to increase, too, all the more as processors will begin again to replenish their considerably reduced stocks. Since, however, production will continue to grow, for the time being prices will probably rather decline somewhat.

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