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## Raw material markets: Rise in the copper market

Intereconomics

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

Index and commodity group	1967				1968		
	January	April	July	October	January	Feb. 2	Feb. 19
<b>HWHA-Index 1 (1952—1956 = 100) ....</b>	<b>92.3</b>	<b>91.8</b>	<b>90.9</b>	<b>92.2</b>	<b>97.6</b>	<b>99.5</b>	<b>100.1</b>
Foodstuffs .....	83.7	86.0	83.9	86.8	91.1	93.3	92.1
Raw materials other than foodstuffs ...	96.4	94.5	94.2	94.8	100.7	102.4	103.9
Fuels .....	95.2	95.0	95.1	96.2	96.2	96.2	96.6
Raw materials for consumer goods ..	92.5	91.6	90.7	89.2	92.8	93.0	92.7
Raw materials for capital goods .....	100.2	96.1	95.8	97.2	110.5	115.1	118.9
<b>Reuter's Index (18. 9. 1931) = 100 ....</b>	<b>425.6</b>	<b>429.8</b>	<b>428.3</b>	<b>426.6</b>	<b>503.2</b>	<b>511.5</b>	<b>510.7</b>
<b>Moody's Index (31. 12. 1931 = 100) ....</b>	<b>370.7</b>	<b>360.5</b>	<b>372.6</b>	<b>360.4</b>	<b>361.6</b>	<b>361.0</b>	<b>363.6</b>

<sup>1</sup> Index compiled by the Hamburg Institute for International Economics.

the whole of 1967. The previous year's corresponding result was surpassed by almost 20 per cent (January to November), after in 1966 a growth rate of 12 per cent had been achieved. With that Japan resumed the growth rates obtained between 1958 and 1961 on a considerably higher level.

In the current year the volume of industrial production will increase more or less strongly in most industrial countries, since the upward trends, that during the second half-year prevailed both in Western Europe and North America,

will continue. Although for the whole of 1968 the growth rates obtained from 1964 to 1966 will hardly be fully reached, an increase of industrial production by at least 5 per cent is to be anticipated in view of the cyclical stimulation of demand. This will again give a vigorous incentive to production in raw material countries, as regarding them the development of production in industrial states holds a key position. Just this fact was emphasised during the last year's restraint of growth, which for various raw materials already resulted in a decline of demand.

flict is not yet in sight, although of late endeavours for an adjustment have been intensified again.

If the production development had been undisturbed, there would have been a considerable supply surplus already in 1967. For, expansions in capacity, undertaken after the preceding period of shortage, began to have their effect. In contrast to this, because of the sluggish cyclical situation, West European industrial nations generally had a smaller demand for copper. Therefore, in spite of the strike's outbreak and the generally positive cyclical situation in the USA, prices in London remained on their relatively low level for a longer period.

## Raw Material Markets

### Rise in the Copper Market

After copper prices at the London metal exchange had, with fluctuations, maintained the level of 570 £/lgt for cash wire rods, which had been reached after the pound devaluation—only rumours about a possible agreement in the American metal workers' strike or about the application of the Taft-Hartley-Law temporarily caused price declines—a distinct boom tendency has been noticeable since mid-January. Within a few days cash prices rose to almost 700 £/lgt, and the backwardation increased to 100 £.

The great backwardation makes clear that—from a long-term view—

copper is at present overpriced. The strike in the US copper industry, which has now been lasting for half a year, is more and more influencing the free market. Moreover, there is the recent incident in Korea and the escalation of the Vietnam war. American copper processors try to increase imports from Europe, as the 620,000 sh t, they had on stock before the strike, are probably run down. Up to now, the production loss due to the strike is said to amount to approximately 1 million sh t; a further production loss of 50,000 sh t copper in Chile must still be added. A solution of the wage con-

Only the revival of demand in Europe together with the increased demand in the USA made shortages become visible. Within a short time, London exchange stocks fell by 4,250 lgt to 10,850 lgt. Even supplies from the East Bloc, which are subject to strict import prohibition in the USA, reached North American processors through side-channels.

After the termination of the American copper strike it will in any case take some time, until the production losses will have been recovered. The present high copper price will, however, probably drastically fall immediately after the strike's end.

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