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Raw material markets: Tin prices being supported

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

Index and commodity group	1967				1968		
	April	July	October	January	April	April 26	May 5
HWWA-Index 1 (1952—1956 = 100)	91.8	90.9	92.2	97.6	96.1	95.5	95.0
Foodstuffs	86.0	83.9	86.8	91.1	91.0	91.7	90.8
Raw materials other than foodstuffs . . .	94.5	94.2	94.8	100.7	98.5	97.4	97.0
Fuels	95.0	95.1	96.2	96.2	96.0	96.0	96.0
Raw materials for consumer goods . .	91.6	90.7	89.2	92.8	93.1	92.5	92.3
Raw materials for capital goods	96.1	95.8	97.2	110.5	104.8	102.1	101.1
Reuter's Index (18. 9. 1931) = 100	429.8	428.3	426.6	563.2	491.5	488.7	488.1
Moody's Index (31. 12. 1931 = 100)	360.5	372.6	360.4	361.6	362.2	362.4	364.8

¹ Index compiled by the Hamburg Institute for International Economics. ² March 14, 1968

obvious that the 1966/67 phase of reluctant investments in Western Europe has left lasting traces, which concentrate to a large extent on the Federal Republic. While here fixed investments in real terms for 1968 will still remain under the level of 1965, the

corresponding increase reaches between 11 and 26 per cent in Britain, France, and Italy. In the longer run, too, the Federal Republic dropped back to the last place with an increase by 40 per cent between 1960 and 1968 (France: 84 per cent).

tin thus intending to back prices. 10,000 lgt tin are said to be in the pool at present. The Tin Council seems to be determined to prevent a further price decline below about 1,300 £/lgt through further backings, for which it has already provided new finance.

Raw Material Markets

Tin Prices Being Supported

After in November 1967 tin prices at the London Metal Exchange had risen due to the pound devaluation, they continuously fell until recently, and this under partly strong fluctuations. So, with 1,304 £/lgt the quotation for cash tin is at present only by approx. 7 per cent above the level registered shortly before the devaluation. This means that the major part of the rise in prices, which was due to the devaluation, has been lost.

The continuous pressure on prices in the tin market must be traced back to the extraordinary increase in tin production accompanied by a simultaneous stagnation in consumption. Above all because of additional processing of older stocks of tin ores in Thailand, in 1967 production in the Western world

was with 173,900 lgt by 11.3 per cent higher than in 1966. Consumption, however, registered—due to the cyclical slackness in the most important industrial nations—a slight decrease by 0.4 per cent to 165,900 lgt. 1967, therefore, showed a production surplus of 8,000 lgt, whereas in 1966 production still was by approx. 10,000 lgt smaller than consumption.

True, urged by the producers, in 1967 only 4,900 lgt (1966: 14,600 lgt) were sold out of the American stockpile. But the supply surplus thus totally reached not less than 12,900 lgt in 1967. This quantity was absorbed by net imports of the East-bloc, by stockpiling producers' stocks and by backings. By the end of 1967 alone, the International Tin Pool bought about 6,000 lgt of

Meanwhile, the prospects for a price stabilisation on the present level—also without larger backings—have improved. In connection with the business revival in the Western world, in 1968 a considerable rise in consumption can be anticipated again. Production, however, will grow at a slower rate, not least because the surplus of Thai tin ores has been reduced. Moreover, the pressure on prices originating from the pool stocks is relatively small, as these stocks—according to the regulations of the International Tin Agreement—can only be dissolved at a market price of at least 1,515 £/lgt.

However, such a strong rise of the tin price cannot be expected, because previously the American Stockpile Office will probably abandon its reserves against tin sales. It can be assumed that only voluntary export restrictions would have a price raising effect. But even on the latest conference in La Paz at the end of April, no agreement could be reached about the restrictions.

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