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Raw material markets: Depressed lead and zine prices expected

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

Index and commodity group	1967		1968				
	September	December	March	June	September	Sep. 27	Oct. 18
HWHA-Index 1 (1952-1956 = 100)	90.9	97.0	99.1	94.7	94.6	94.7	95.4
Foodstuffs	84.9	90.3	90.3	87.8	86.5	87.1	88.2
Raw materials other than foodstuffs ...	93.8	100.2	103.4	98.0	98.4	98.3	98.8
Fuels	95.7	96.3	96.4	96.0	96.6	96.6	96.6
Raw materials for consumer goods ..	89.5	93.8	93.5	93.0	92.9	92.9	94.9
Raw materials for capital goods	94.7	108.2	117.1	103.4	104.0	103.8	103.7
Reuter's Index (18. 9. 1931) = 100	418.3	499.0	510.4	488.1	480.0	480.2	489.3
Moody's Index (31. 12. 1931 = 100)	363.9	364.3	362.3	366.6	361.8	360.5	357.3

¹ Index compiled by the Hamburg Institute for International Economics.

ty. The government's adjustment measures, particularly the temporary help for French enterprises competing internationally and the planned measures to facilitate investments, are supposed to achieve

a new macro-economic equilibrium in the shortest possible time. The inducement of high increase rates in productivity play hereby a key-role, since they will have to "digest" the new cost level.

slowdown in the USA will make lead and zinc consumption in the western world grow more slowly than hitherto during the last months of 1968 and also after the year's end.

Raw Material Markets

Depressed Lead and Zinc Prices Expected

On the lead and zinc markets, rather brisk price fluctuations have occurred during the last months due to numerous special influences. Due to strikes, the crisis around Czechoslovakia and large East-bloc purchases, quotations for the two metals at the LME temporarily rose considerably. Since the £ sterling devaluation in November 1967, cash prices for lead at the LME have anyway increased by approximately 14 per cent to 107³/₄ £/lgt, while cash prices for zinc in the same period have fallen by fully 1 per cent to 110³/₈ £/lgt.

For the first time for several years, production surpluses had been expected on the world markets of lead and zinc for 1968. The cyclically conditioned increase in consumption had been expected to lag behind the strong expan-

sion in production. However, in connection with the long duration of the metal workers' strike in the USA and the outbreak of the labour troubles in the Australian Broken-Hill Mine, this forecasting was jeopardised. But in the USA production experienced an unexpectedly rapid and strong expansion after the strike had ended; and the industrial conflict in Broken Hill could be confined, so that world production as a whole will nevertheless grow considerably in 1968.

On the other hand, the rise in demand is supposed to remain moderate in 1968. In the USA, processors had made ample provision against the strike, so that still today they can partially live on their stocks. Moreover—provided the increase rate in West Europe remains the same—the cyclical

Under these circumstances, during the next months more depressed lead and zinc prices must be reckoned with. In the USA, due to production expansion and large imports, an over-supply and retro-grade lead and zinc prices have already occurred. US producers fear an even stronger price decline and therefore demand the restriction of lead and zinc imports. Such restriction would, however, strengthen the supply on the European market and depress prices there. Further purchases from the East-bloc and backings of producers should, however, counteract the declining price tendency.

Apart from this, at the latest meeting of the lead-zinc industry, production surpluses of the two metals were anticipated for the years till 1971. Some big producers therefore intend to check the expansion of capacities planned by them.

Compiled by the Department for Business Trends Research of the Hamburg Institute for International Economics

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