

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

Decline in raw materials prices tailing off

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1991) : Decline in raw materials prices tailing off, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 26, Iss. 5, pp. 255-256,
<https://doi.org/10.1007/BF02928999>

This Version is available at:

<https://hdl.handle.net/10419/140318>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Decline in Raw Materials Prices Tailing Off

The prices for industrial raw materials on the world market have dropped further in the course of 1991. Due to the recession in the USA and the economic slowdown in most other industrialized countries, the consumption of raw materials in the West has tended to diminish. In this situation the processors have been keen to keep their raw materials stocks low, especially as supply has remained ample: producers have been slow to adjust output to the weak demand. This has also been reflected in the considerable rise in non-ferrous metal stocks on the London Metal Exchange and amongst producers themselves.

Prices for lead, zinc and copper in particular have declined markedly, mainly as a result of slack demand in the car industry and the building sector. Aluminium and nickel have also become cheaper. In contrast, the pressure on the price of tin has relaxed as a result of the restrictive supply policy of the Association of Tin Producing Countries and the outsiders Brazil and China. Tin stocks on the London Metal Exchange have declined by about a third since the beginning of the year. Amongst the agricultural raw materials, wool in particular has dropped in price, especially as the major exporting countries have abandoned their price support systems in response to the pressure of the large wool stocks. Prices for cotton and rubber, on the other hand, went down only slightly on balance. Altogether, the price level for industrial raw materials, measured in terms of the HWWA Index on a dollar basis, was 16% lower in August 1991 than in December 1990. In comparison with a year earlier the decline amounted to 21%, which for European buyers in fact averaged only 11% measured in ECU as a result of the depreciation of the European currencies against the dollar since the spring.

With the recession in the USA coming to an end, the consumption of raw materials is unlikely to decline further in the latter half of 1991 although, in view of the weakness of economic activity in many other industrialized countries, raw materials processors are hardly likely to

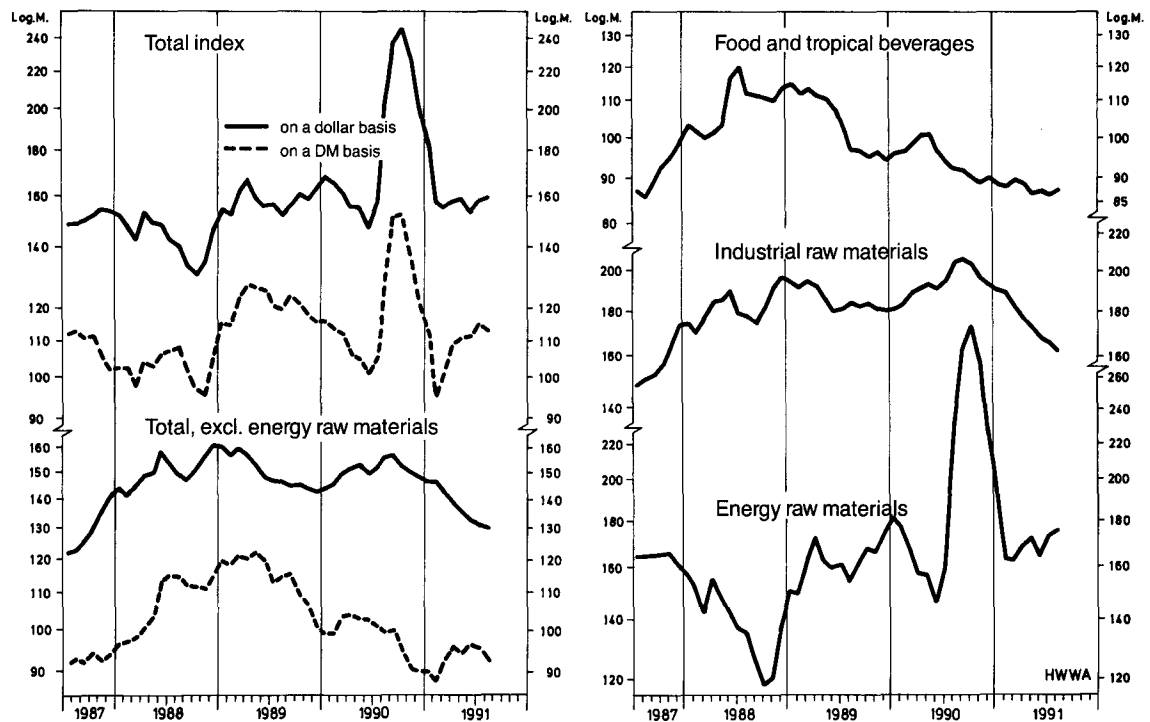
replenish their stocks for the time being. At the same time, the supply of raw materials is unlikely to expand any more as the efforts of the producers to adjust output to lower demand take effect. Cuts in production and exports of some non-ferrous metals have already been made or announced. Furthermore, in future, the production of agricultural raw materials will tend to diminish. Altogether, under these circumstances the prices of industrial raw materials will probably not go down further to any significant degree. In the course of the economic recovery in the USA and the overcoming of the weakness of economic activity in other industrialized countries, the demand for raw materials may be expected to pick up noticeably in 1992. Buying will then exceed consumption as the processors are bound to build up stocks to keep pace with the improving economic climate. In all, we can expect prices for industrial raw materials to go up in the course of next year, though in view of the moderate economic outlook in the industrialized countries, the basic upward trend will probably be restrained.

The price level on the world markets for food and tropical beverages, which had dropped substantially in the second half of 1990, has hardly changed further in 1991 to date. Coffee, cocoa and tea prices went down considerably in anticipation of new production surpluses, but grain prices, which had been low up until the end of 1990, rose substantially when supply looked like falling short of expectations. Maize and wheat above all went up in price. Trends were disparate for oil seeds and vegetable oils with increases offsetting decreases on balance. Despite persistent supply pressure, the price of sugar on the world market has relented only little. Measured in terms of the HWWA Index, on a dollar basis, the price level on the world markets for food and tropical beverages was in all 5% lower in August 1991 than it had been a year earlier; on an ECU basis, though, it went up by 6%.

According to the latest forecasts for 1991/92, there is likely to be a decline in the production of wheat, maize and other coarse grains, while demand will continue to rise.

HWWA Index of World Market Prices of Raw Materials¹

(1975 = 100)

¹Monthly averages.

Grain prices will thus probably continue to rise somewhat. The world harvest of soya beans and other oil seeds ought to meet the slightly expanded demand in the 1991/92 season; oil seed prices in general will therefore alter only little. The production of cocoa would appear to be declining slightly, and ought to roughly meet the stagnating consumption. Due to the extensive reserves in the exporting countries, however, the pressure on cocoa prices will not subside much. According to the latest estimates, the coffee harvest for 1991/92 in Brazil will increase by 8% to 27 million sacks, much more than

originally expected. Prices for coffee will thus decline somewhat further in the near future, particularly as there is no prospect of a new Coffee Agreement, which would reintroduce export quotas. For sugar, too, we can now expect another increase in production worldwide and in stocks, so the price on the world market will tend to fall. Altogether, prices for food and tropical beverages will continue to decline somewhat for the remainder of this year.

Compiled by the Department of World Business Trends of the Hamburg Institute for Economic Research (HWWA).

HWWA Index of World Market Prices of Raw Materials¹

(1975 = 100)

Raw Materials and Groups of Materials	1990		1991					
	AA ²	August	May	June	July	August	30.8.	13.9.
Total index	185.7	204.5	159.2	153.4	158.1	159.8	163.8	162.5
Total, excl. energy raw materials	150.8	156.1	135.4	133.0	131.5	130.2	130.5	132.3
Food, tropical beverages	94.7	92.4	86.6	87.2	86.3	87.9	89.4	91.8
Industrial raw materials	193.6	204.7	172.6	167.9	165.9	162.5	161.7	163.2
Agricultural raw materials	210.8	216.7	186.2	180.2	174.8	164.1	161.0	162.7
Non-ferrous metals	201.9	219.6	173.5	169.0	169.8	168.7	170.6	171.4
Energy raw materials	206.0	232.7	173.1	165.2	173.6	177.1	183.2	180.2

¹ On dollar basis. ² Annual Average.