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**Article**

## Raw material markets: 1968: Partly vigorous price fluctuations

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time, and that only by tolerating the ignoring of acknowledged basic principles of the international economic order. If this order is not to be impaired even more and finally destroyed to everybody's disadvantage, in

view of the fundamental character of international imbalances fundamental measures will be required. This, however, is impossible as long as the fortification of currency parities is considered a virtue.

sors in the USA, who had to reckon with a new outbreak of the dockers' strike at the end of the year. In contrast to this, the continuous de-escalation in Vietnam hardly exercised a pressure on prices, because this development had been discounted by the market partners.

## Raw Material Markets

### 1968: Partly Vigorous Price Fluctuations

In the international markets for industrial raw materials in 1968 a series of special influences, against the background of a continued increase in the demand for raw materials, led to partly vigorous price fluctuations. They were especially marked for non-ferrous metals and rubber. But in full the price level in the industrial raw material markets remained unchanged between December 1967 and December 1968. On an annual average, in 1968 the level on a dollar basis, i.e. the currency devaluations of November 1967 being statistically eliminated, slightly declined, compared to the 1967 average.

#### Price Decline before the Middle of the Year...

During the first months of 1968, the continuously strong rise in demand for raw materials, which resulted from the cyclical revival in raw material consumption and the replenishment of stocks by processors, coincided with the shortage of copper, which was due to strikes. Thus a considerable rise in the price level occurred in the industrial raw material markets. After the wearisome strike in the US metal industry could be terminated,

prices of non-ferrous metals dropped, and consequently in April 1968 also the average price level in the industrial raw material markets fell below the level of December 1967. About the middle of the year, the growth in raw material demand temporarily slowed down, because the majority of processors had meanwhile increased their inventories and were expecting continuously receding prices.

#### ... was Followed by a Recovery in the Second Half-year

But the anticipated price decline did not occur. Under the influence of relatively frequent special factors, prices of some industrial raw materials rose strongly, so that, as a whole, the price level in these markets increased again in the second half-year 1968. Repeated speculative raw material purchases, caused by the fear of currency devaluations, could be observed especially in the non-ferrous metal markets. In the rubber market, the price-raising speculation was evoked by the prospect of even larger East-bloc purchases. During the last months of 1968, the price rise was generally supported by the provident buying in of proces-

### Prices of Industrial Raw Materials Supposed to Fall

In 1969, the demand for raw materials in the Western world will increase more slowly than hitherto, because—though a continuation of the economic growth in Western Europe can be expected—a check to economic activity in the USA is probable. In addition, US processors will, after a rapid end of the dockers' strike, first reduce again their providently increased stocks. On the other hand, a further expansion of East-bloc demand in some sectoral markets, which already in 1968 was rather strong, can hardly be anticipated. Demand, as a whole growing more weakly, will in 1969, too, be generally opposed by a wide supply of industrial raw materials. In case the endeavours for a peace in Vietnam should be successful, the stockpile offices in the USA will try to sell the raw material stocks more rapidly. However, the continuation of the stabilisation policy should enable producers to limit supplies to a certain extent. Due to this probable development of the supply-demand situation, slightly falling prices must be expected in the markets of industrial raw materials in the course of 1969.

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