

Chapter 4: Prospects for the Industry

Metal Prices

Metal prices are affected by numerous factors, the relationship of which are of varying degrees. Moreover, the relationships of these factors are so complex. While a single factor may matter the most in explaining the movements of metal prices in a certain period, there is almost no assurance whatsoever, that the same factor will still be of import in another period.

Volatile movements have been the norm rather than the exception with metal prices, thus, making it difficult to anticipate in the future. Nevertheless, the future price trends for certain metals are discussed, after presenting the necessary caveat above.

Gold prices may get some support from higher inflation and a relatively weak dollar--due to the big US trade deficit--in the next two years. However, these may not be enough to arrest a declining trend in gold prices. Much of this is due to the emerging supply situation. World gold production has been expanding in recent years. as relative prices have been shifting in favor of gold.

It seems that the precious metal is getting to be not so precious after all. Increased exploration and mining activities overseas, coupled with the expected slowdown in the industrial growth of most industrial countries will soften gold prices a bit this year, and more so, in the coming years. Gold prices may settle at \$420 per oz. in 1989 and may hover around \$360 to \$380 per oz. in the medium term.