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25-26 April 2018, Geneva

Recent trends and outlook on commodity markets

By

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The views expressed are those of the author and do not necessarily reflect
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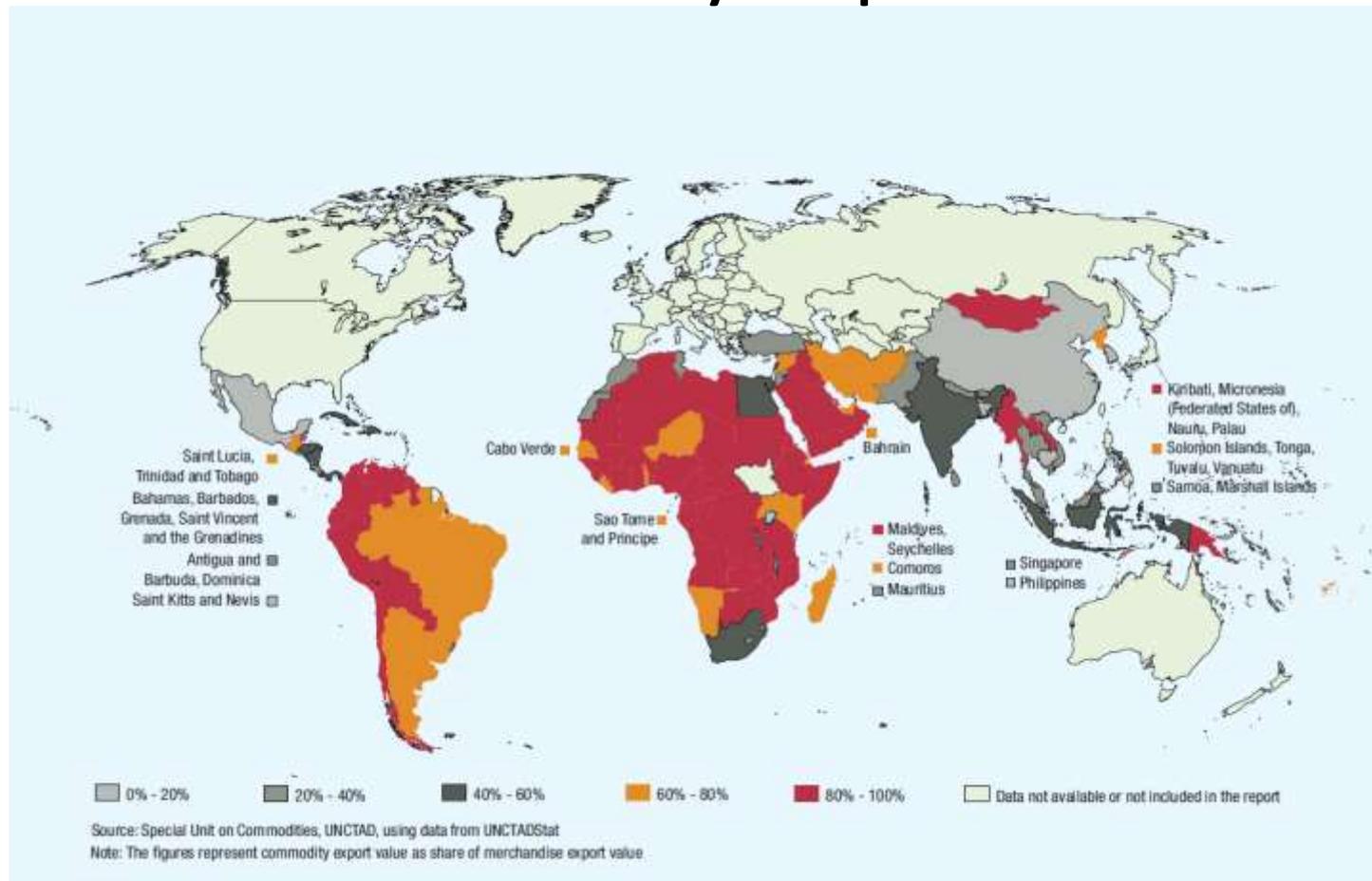
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Background....

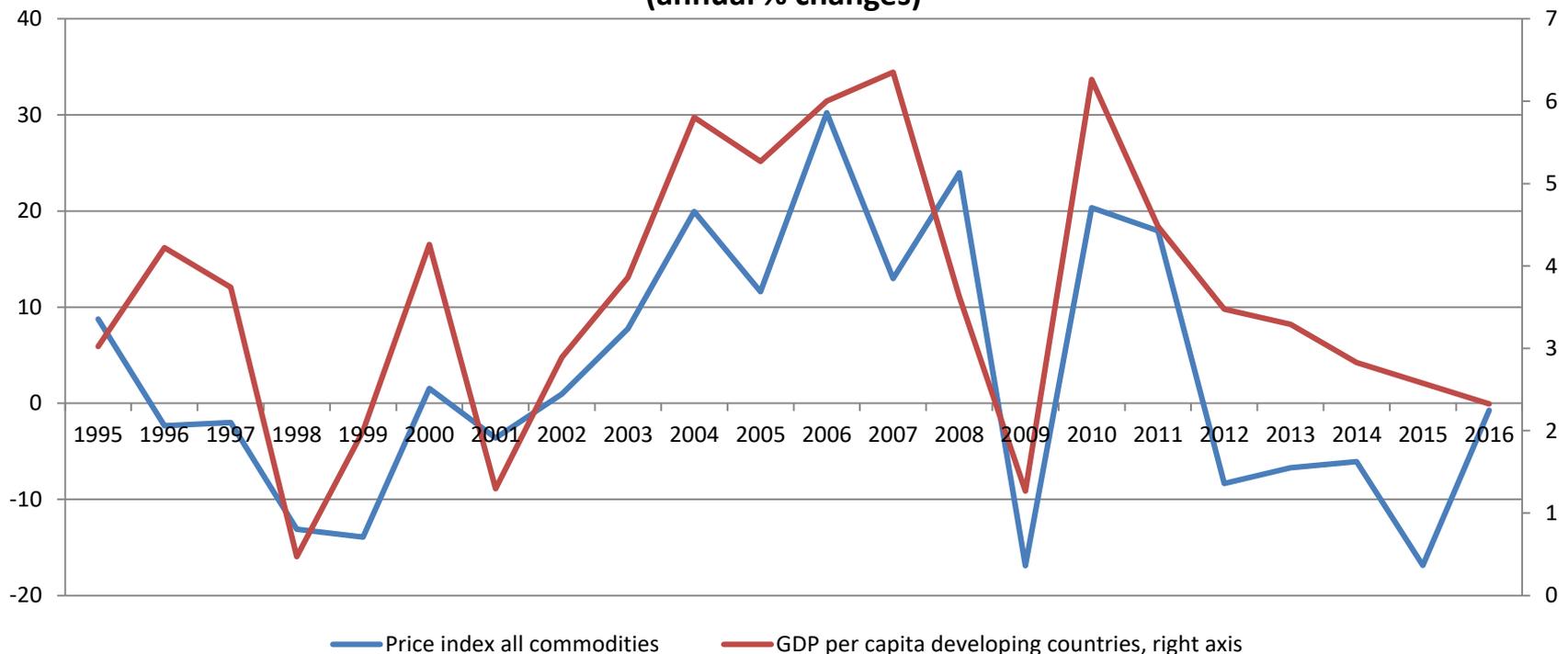


Two out of three developing countries are commodity dependent



Commodity prices are closely related to per capita growth in developing countries

UNCTAD Non-oil Nominal Commodity Price Index and GDP per capita developing countries 1995-2016
(annual % changes)



Correlation coefficient = 0.79

UNCTAD non-oil Commodity price index

ALL FOOD	AGRICULTURAL RAW MATERIALS	MINERALS, ORES AND METALS
- Food	Linseed oil	Phosphate rock
Wheat	Tobacco	Manganese ore
Maize	Cotton	Iron ore
Rice	Wool	Aluminium
Sugar	Jute	Copper
Bovine meat	Sisal	Nickel
Bananas	Hides and skins	Lead
Pepper	Tropical logs	Zinc
Soybean meal	Rubber	Tin
Fish meal		Tungsten ore
- Tropical beverages		
Coffee		
Cocoa beans		
Tea		
- Vegetable oilseeds and oils		
Soybeans		
Soybean oil		
Sunflower oil		
Groundnut oil		
Copra		
Coconut oil		
Palm kernel oil		
Palm oil		



Price trends....



The big picture

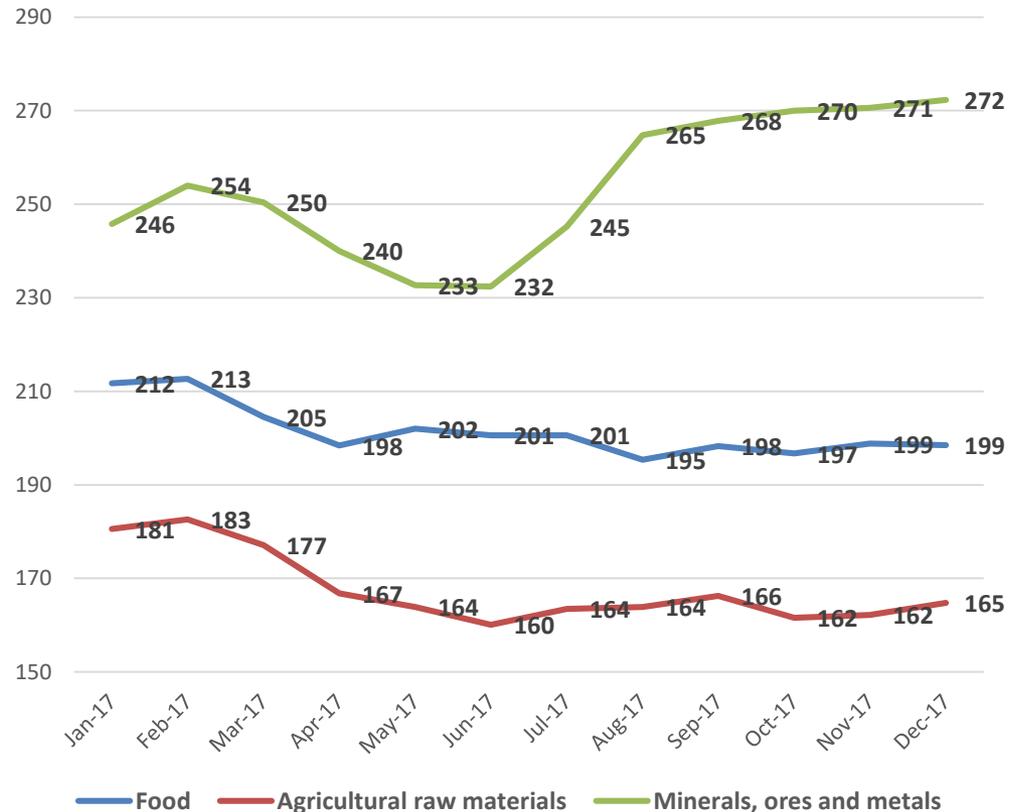
- Commodity prices trended downwards during H1, 2017, bringing the upwards trend of 2016 to a halt
- From January to June 2017 the UNCTAD Non-oil Nominal Commodity Price Index decreased by 6%
- In the second half of 2017, the UNCTAD commodity price index showed an upwards trend - mainly driven by minerals, ores and metals

**UNCTAD Non-oil Nominal Commodity Price Index
(2000 = 100)**



Commodity prices show a mixed picture in 2017

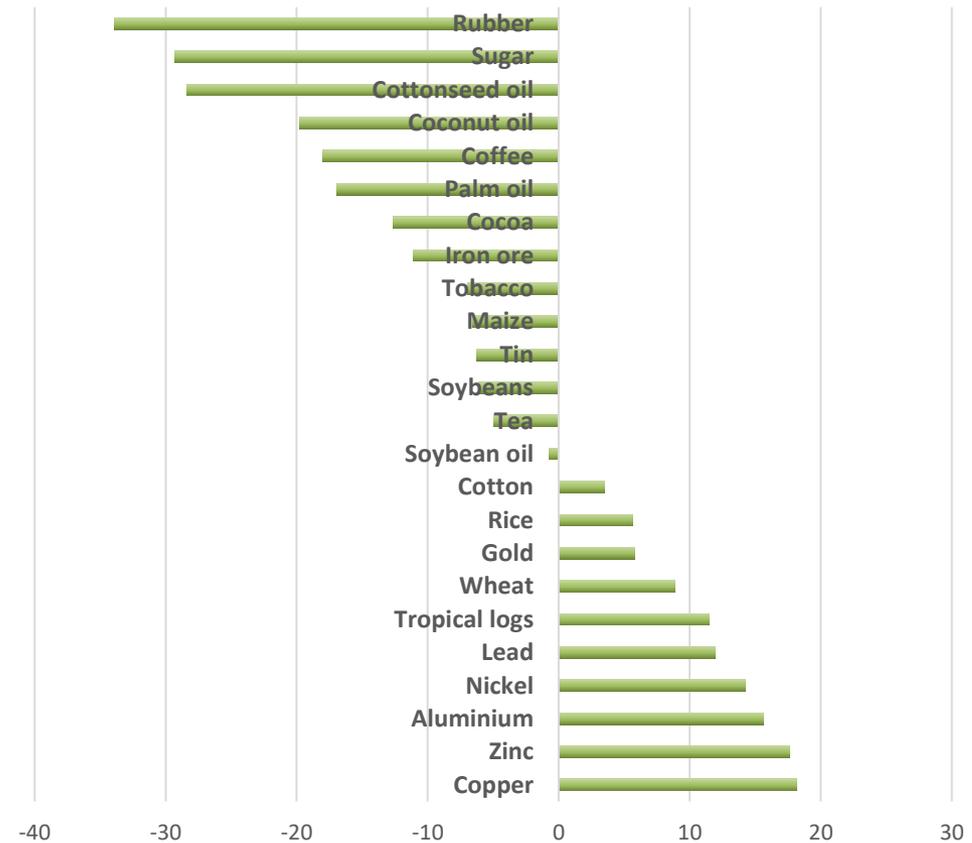
- Prices of agricultural raw materials decreased by 8.7% from January to December 2017
- Food prices decreased by 6.2% from January to December 2017
- Prices of Minerals, Ores and Metals trended downwards during H1, but increased steeply in H2 - up 11.1% from July to December 2017



Commodity prices show a mixed picture in 2017

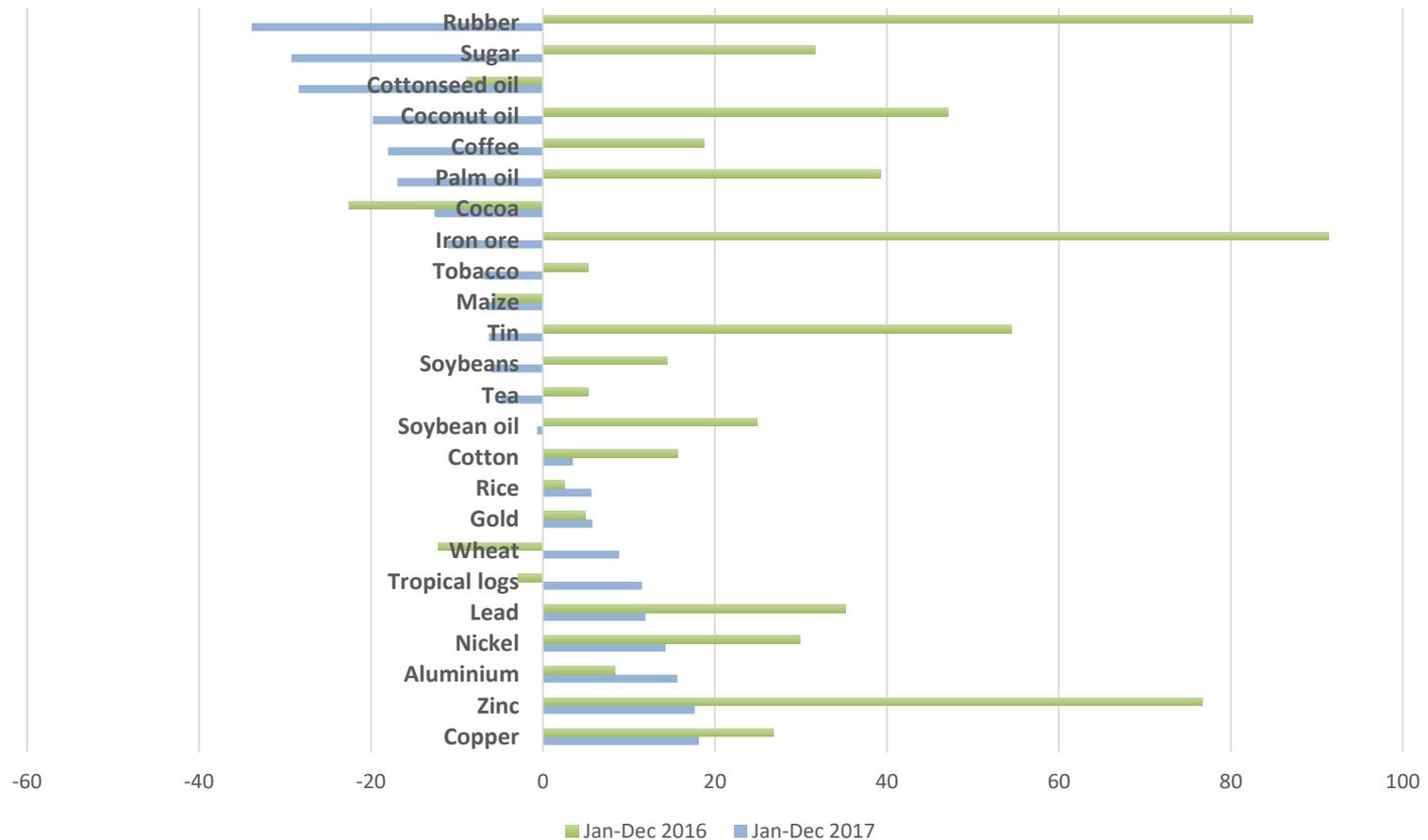
- In 2017 prices of major commodities showed no common trend
- Prices of minerals, ores and metals generally fared better than other commodities

Monthly price, January 2017 vs. December 2017 (% change)



Commodity price developments 2016 vs. 2017

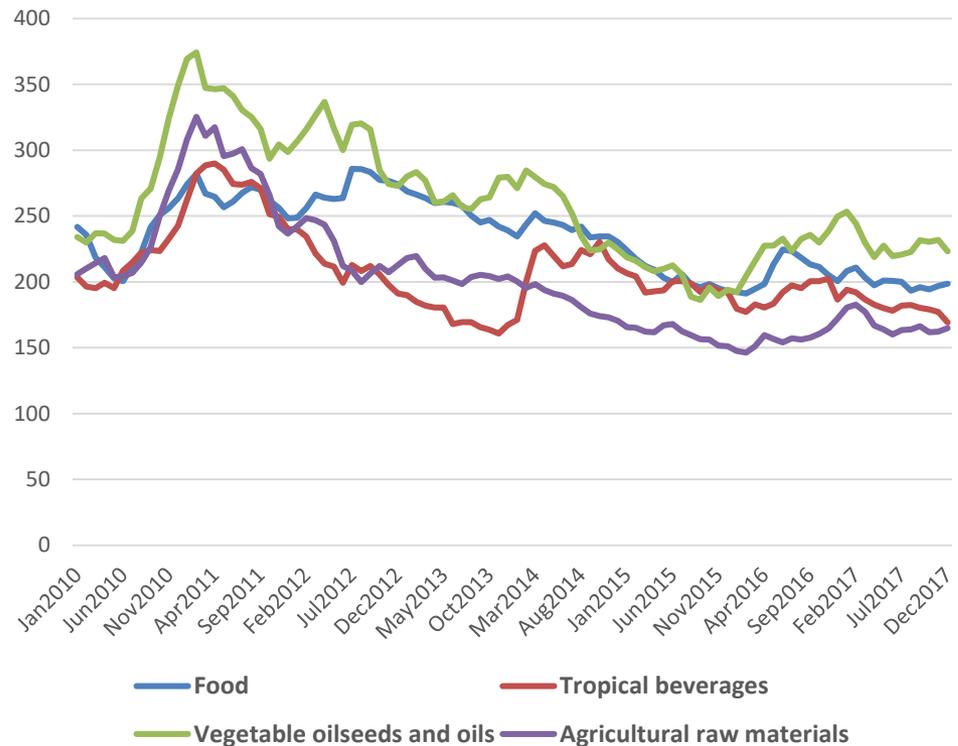
Monthly price, January vs. December (% change)



Food and agricultural commodities

- Tropical beverages showed the steepest decrease losing 12.8 % from January to December 2017
- Prices of vegetable oilseeds and oils decreased by 11.9%
- Prices of food commodities and agricultural raw materials dropped by 4.6% and 8.7%, respectively.

Price indices of food and agricultural commodity groups
July 2010 – December 2017 (2000=100)



Prices of most food commodities dropped in 2017

- 2016 sugar price hike triggered an expansion of supply:
 - brought price down to 14.4 c/lb in December 2017 (-29.3% since January)
 - price increase unlikely for the upcoming season unless adverse weather
- Price of rice rallied in May and June due to strong demand
 - adjusted downward to 394 \$/t in December (+7.1% Y-o-Y)
 - Output for 2017/18 projected higher than demand; price increase unlikely
- Price of maize reached its lowest in more than a decade at 156 \$/t in November (157 \$/t in August)
 - strong demand forecast projected to lead to a reduction of stocks
 - mild price increase possible



Vegetable Oilseeds and Oils

- Prices of all individual oilseeds and oils trended downwards in 2017
 - Cottonseed oil (-28.4%)
 - Palm kernel oil (-25.9%)
 - Copra (-21.8%)
 - Coconut oil (-19.8%)
 - Palm oil (-16.9%)
- Forecasts predict abundant supply for major oilseeds, so prices are likely to remain low.



Tropical beverages

- Tea: price averaged 350 c/kg in December, down 5.5% from January
 - Expected to remain volatile as weather-related risks in main growing regions make supply forecasts difficult
- Cocoa: in December price of beans stood at 87 c/lb, its lowest level in more than a decade
 - Negative price development fuelled by significant production increases in West Africa and a record supply surplus
- Coffee: in December 2017, coffee price averaged 114 c/lb, down 13.4% yoy
 - Forecasts of healthy production for 2017/18
 - Price increase unlikely over the medium-term unless unfavourable weather



Agricultural raw materials

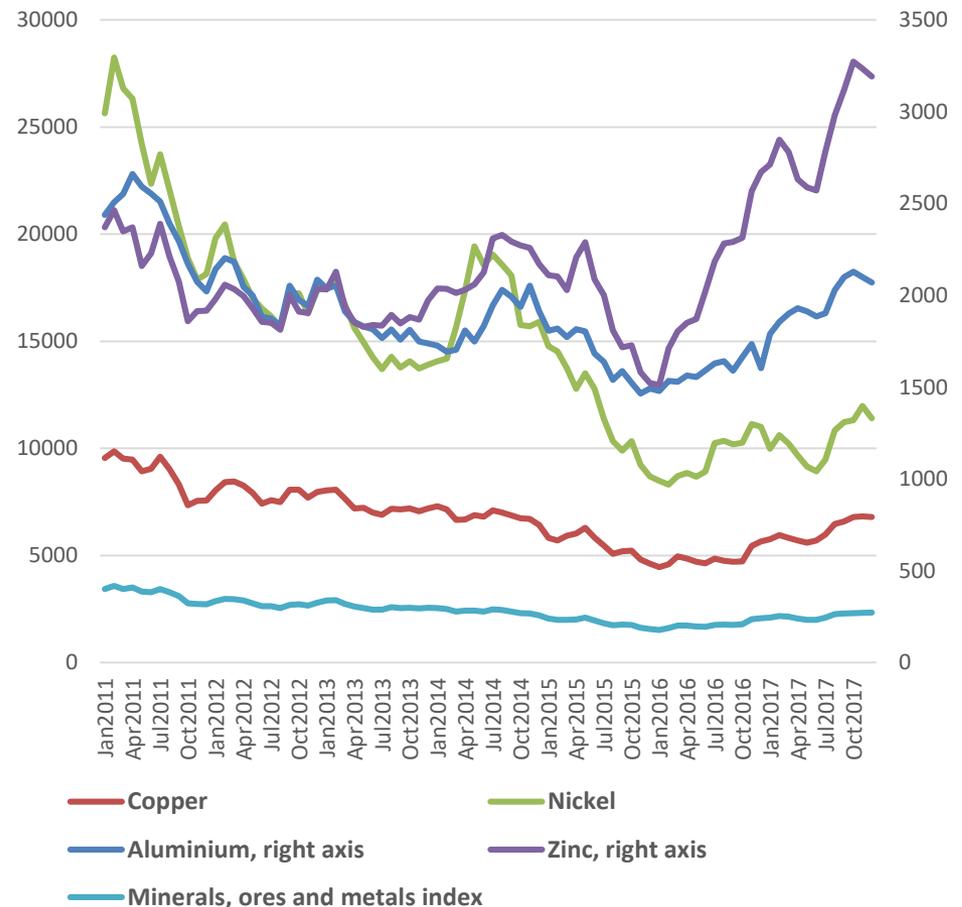
- Prices showed a mixed picture in 2017
- Rubber: after a brief surge at the beginning of the year due to floods in Thailand and Malaysia, the rubber price dropped to 169 c/kg in December 2017 (-33.9% from January)
 - Demand growth expected to outpace production increases, hence mild price increases seem likely
- Cotton: the cotton price stood at 85 c/lb in December, 3.5% higher than in January
 - Price could increase in 2018 due to strong demand forecasts and falling inventories



Minerals, ores and metals

- UNCTAD Minerals, Ores and Metals Price Index was down 5.5% in H1 2017
- From June 2017 to December 2017 the Price Index increased by 17.2%

Prices of selected minerals, ores and metals
January 2011 - December 2017



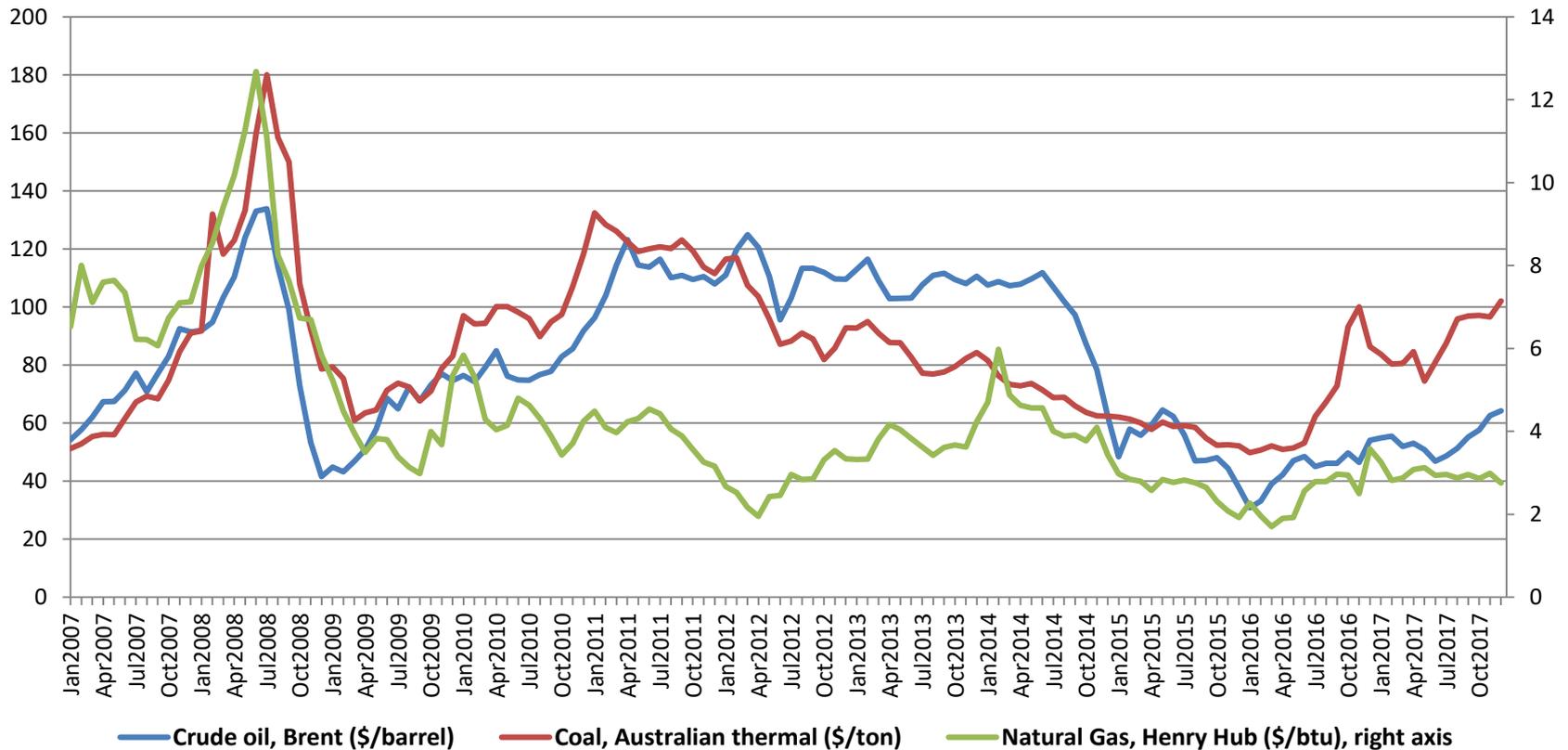
Minerals, ores and metals

- Nickel: price surged 27.8% between June and December 2018
 - Further price increases likely in 2018 due to continued demand growth
- Iron ore: concerns over oversupply caused a drop to 62 \$/t in August
 - Prices expected to remain low due to favorable supply conditions
- Copper: price increased 18.1% from January to December 2017
 - Latest projections: deficit in 2017/18 so further price increases likely



Energy

Crude oil (petroleum), coal and natural gas prices, January 2007-December 2017



Crude oil

- Crude oil prices highly volatile over the past decade:
 - Between 01/2007 and 12/2017 spot price of Brent crude fluctuated between 133.9 and 30.8 \$/barrel.
 - Agreement of OPEC and non-OPEC oil exporters to cut production has contributed to recent rise in oil prices



Natural gas

- Markets for natural gas regionalized due to physical limits to transport and different contractual arrangements
- The Henry Hub natural gas price reached lowest level in more than 20 years in 03/2016 at 1.70 \$/million btu:
 - Prices volatile in 2017 - \$2.76 \$/million btu in 12/2017
 - Demand forecast to outpace supply in 2017 as well as 2018 leading to lower inventory levels
 - Hence, an increases of the natural gas price is possible
- Over the medium to long term:
 - rapid expansion of liquefied natural gas likely to lead to higher market integration
 - global liquefaction capacity at 340 MTPA in 01/2017, almost double its value in 2005
 - construction of over 100 MTPA on the way in 2017
 - in 2016, LNG accounted for 32% of global trade in natural gas; increased LNG capacities could contribute to a convergence of natural gas prices



Coal

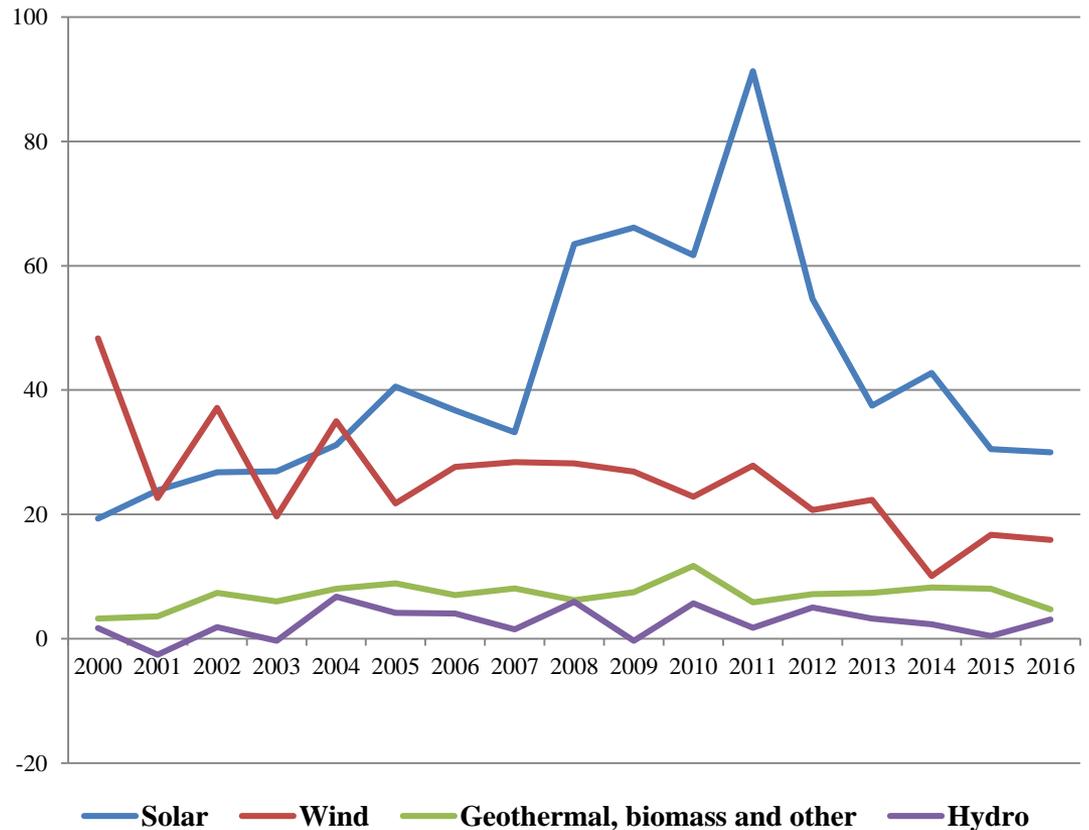
- Coal is primary fuel for electricity generation at global level:
 - responsible for 45% of energy-related carbon emissions
 - however, share of coal in the power generation is on a downward trajectory and expected to drop from 41% in 2014 to 36% in 2021
- Coal prices volatile in 2017; stood at \$102 per metric ton in December 2017 from \$74.5 in May 2017
- Tight supply (strikes in Australia & bad weather in Indonesia) & high demand in China contributed to price increase
- In 2018, price decline resulting from ample supply capacity
- Overall, a downward movement of the coal price seems likely



Renewable energy

- Renewables are expected to account for 60% of global power capacity growth through 2021
- Record growth in renewable electricity capacity in 2015. Solar PV with highest growth rate followed by wind
- China accounts for largest share of global renewables expansion, but renewables also growing in EU, US and India

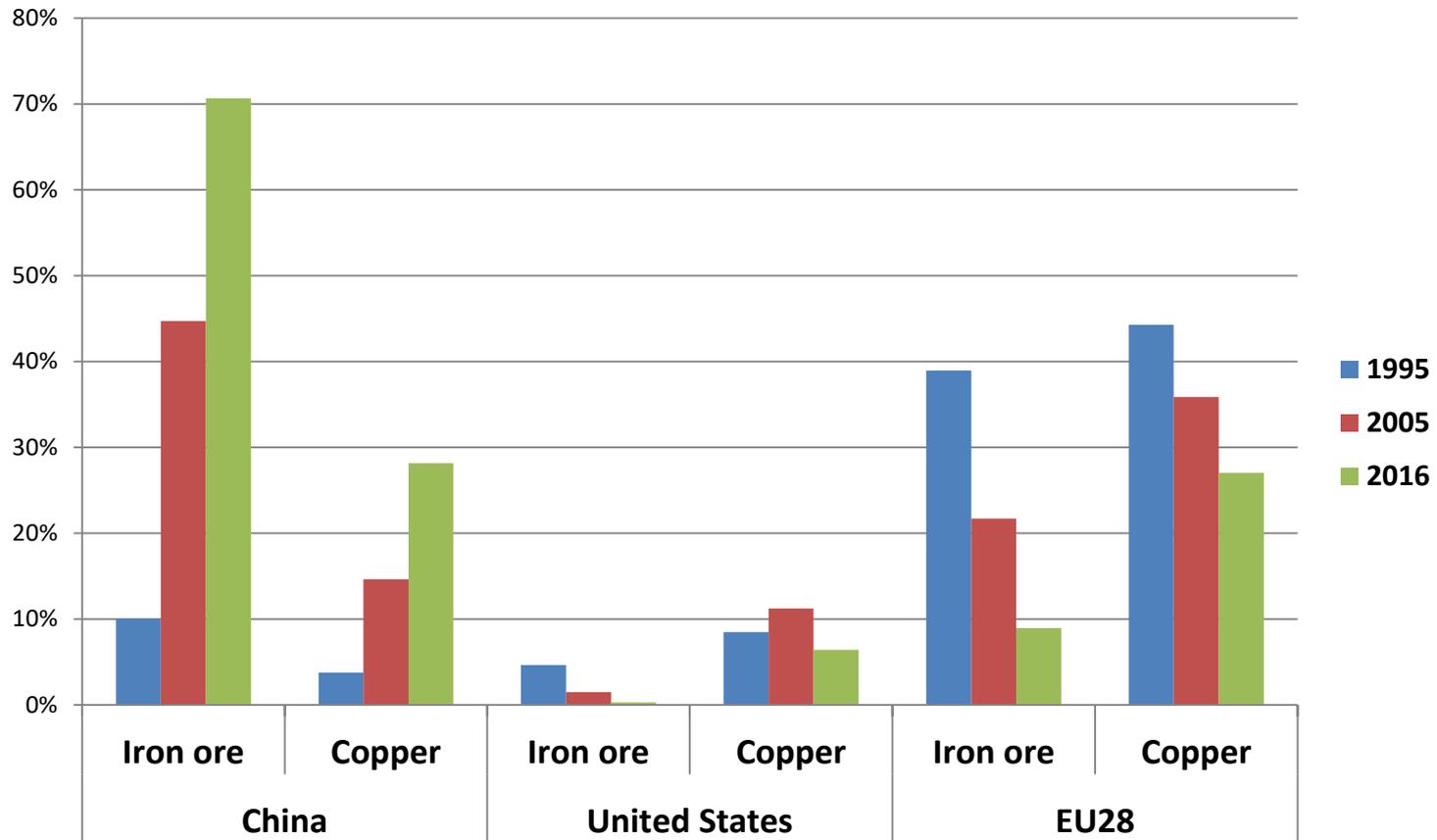
Annual growth rates of renewable energy consumption by type, 2000-2016



Markets to watch....

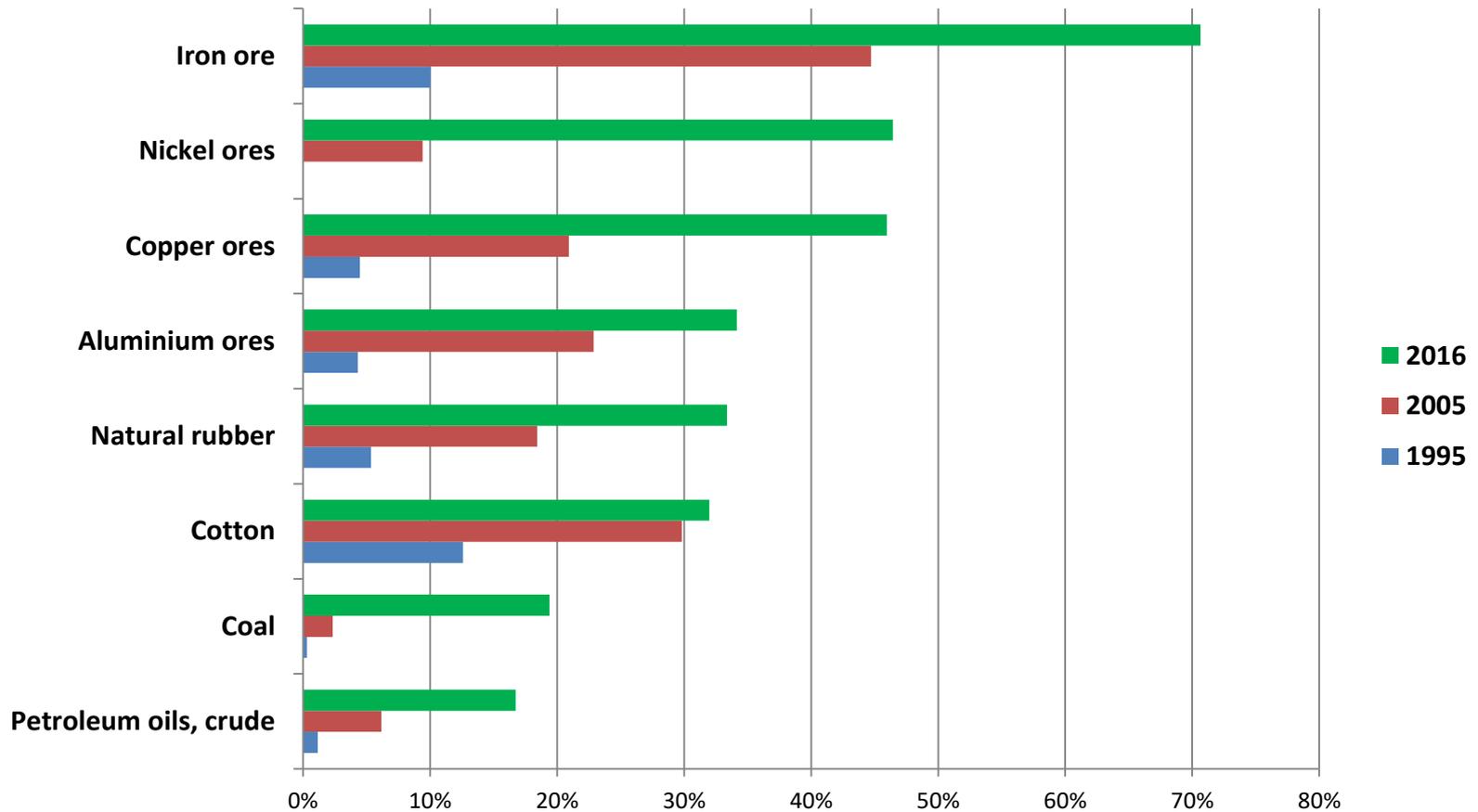


Commodity prices: role of emerging economies

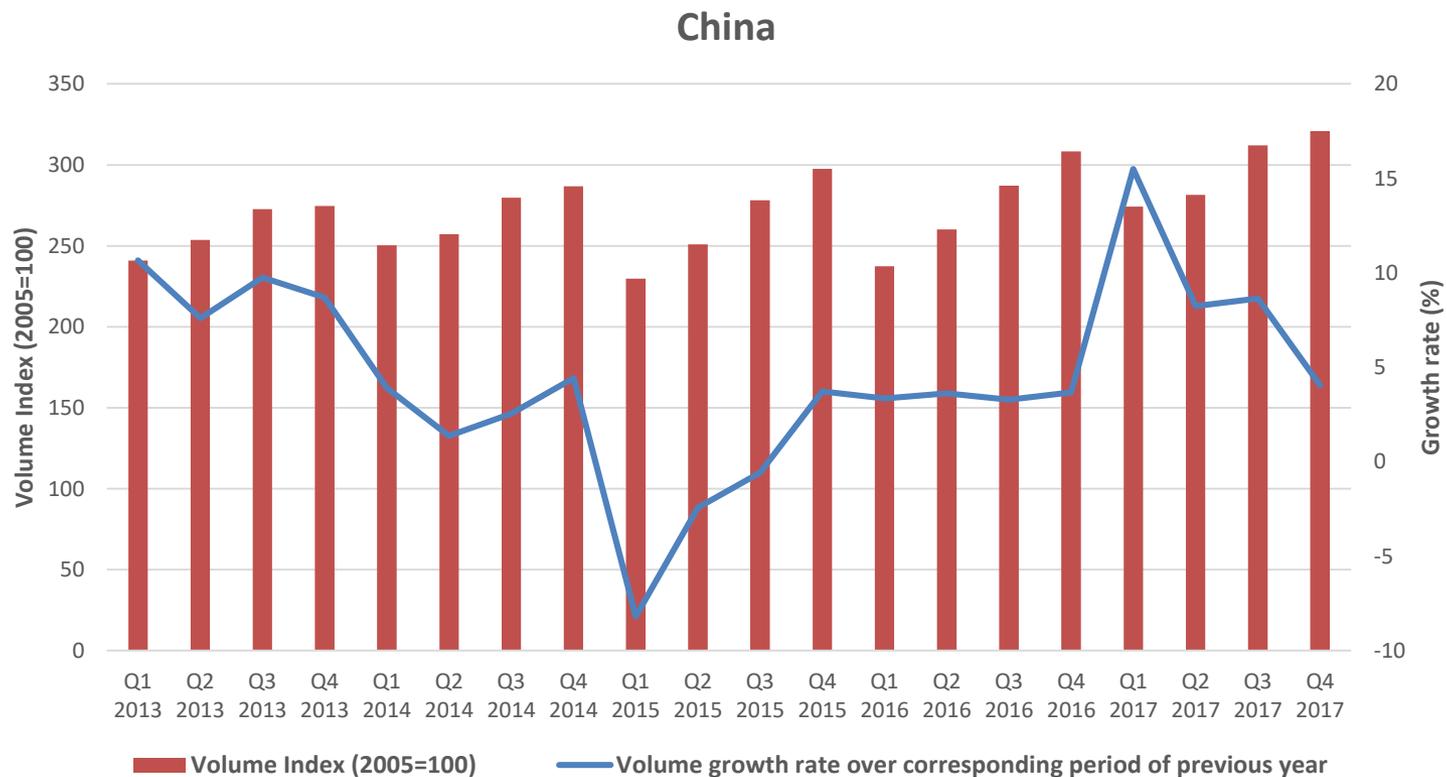




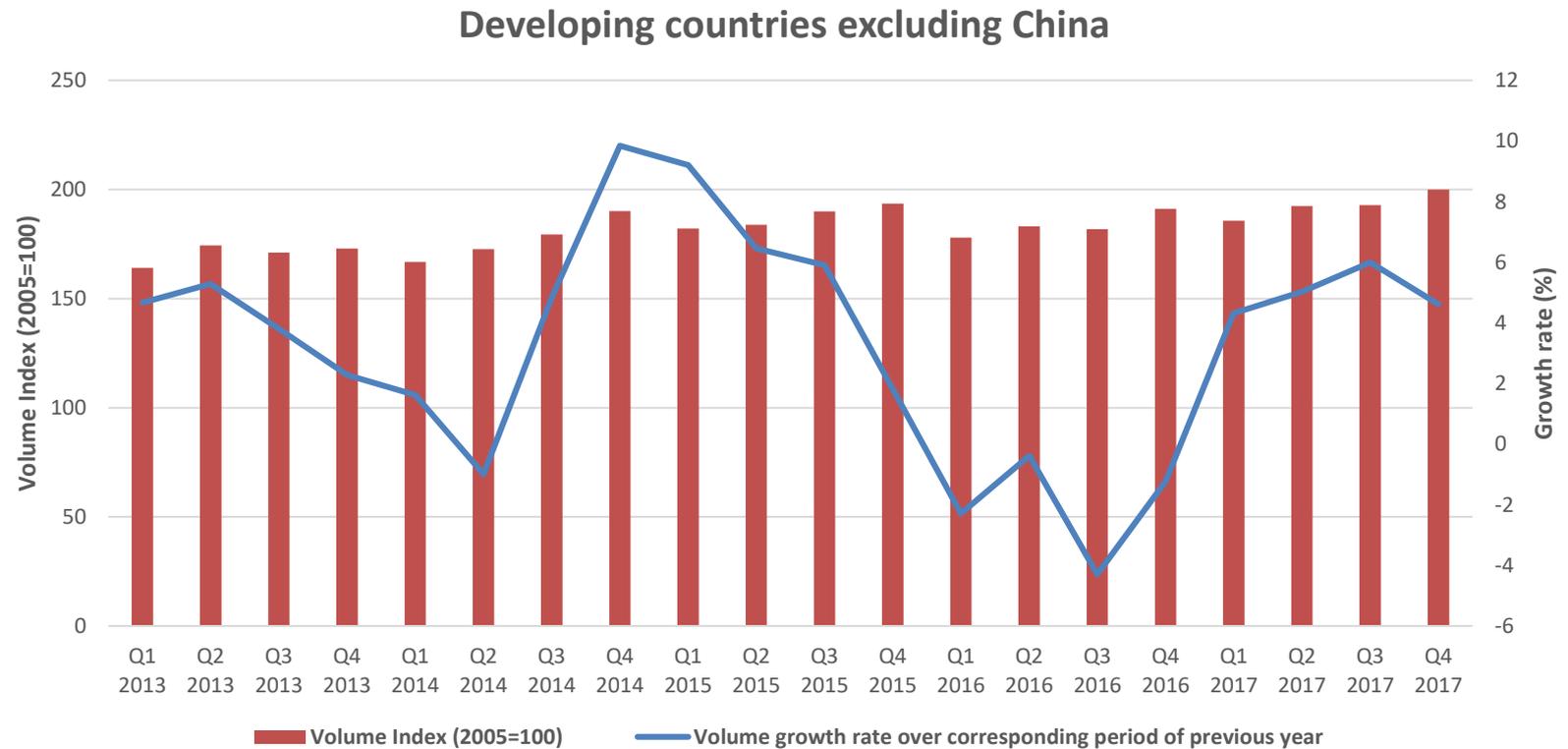
Commodity prices: high demand from China



Volume Index and volume growth rate of merchandise imports



Volume Index and volume growth rate of merchandise imports



Conclusion....



Summary and outlook

- The general upwards trend in commodity prices that had started at the beginning of 2016 came to a halt in early 2017
- Individual commodity markets have shown a mixed pattern in 2017
 - Prices of food and agricultural raw materials decreased
 - Prices of minerals, metals, and ores have increased
- Overall, unlikely that commodity prices will return to anywhere close to their peak levels of 2011 in the near future



Thank you.

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