Recent developments in global commodity markets

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Recent trends in global commodity markets

- Lacklustre economic conditions and oversupply kept prices down
- Non-oil commodities: prices decline from 2011 but remain elevated
- Energy prices: significant drop from June 2014

Source: Data from UNCTADStat (Non-oil Commodities) and IMF (Energy)
Notes: Indices of Non-oil Commodities (2000=100), Energy (2010=100)
Agricultural commodity markets

• 2014-15: General downward trend of prices with short-term fluctuations
  Exception: prices of beverages (coffee and cocoa) : strong in 2014 but weakening from early 2015

• Main drivers of falling prices:
  ➢ over supply;
  ➢ slowing global economic growth;
  ➢ strong US dollar.

Source: Data from UNCTADStat
Minerals, ores and metals markets (MOM)

- General downward trend of prices with short-term fluctuations
- Main drivers:
  - Slowing economic growth in industrialized economies;
  - Over supply - Iron ore, Copper, Manganese;
  - Indonesian ban (Jan 2014); high stocks & increased exports (Nickel)
  - US econ. growth/Strong US dollar (Gold).

Source: Data from UNCTADStat
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Energy markets

- **Downward trends:**
  - Significant drop over June 2014-January 2015
    - Energy index: - 51 %
    - Oil: - 56 %
    - NG: - 35%
    - Coal: - 13%

- **Main drivers:**
  - Oversupply (conventional and non-conventional oil)
  - Slower demand from emerging economies
  - Gloomy global economic growth
  - Strong US dollar

Price indices of energy commodities, crude oil, natural gas and coal, January 2009 - January 2015 (2010=100)

Source: Data from International Monetary Fund, International Financial Statistics
Note: The IMF Energy Index covers crude oil (petroleum), natural gas, and coal
Renewable energy (REN)

- REN in final global energy consumption:
  - 17% in 2011 - 19% in 2012
- REN in global Electricity production
  - 22% in 2013 - 17% in 2012
- Increased use of non-hydro REN albeit at slower pace from 2011.
- Main drivers of REN use:
  - Declining use of more polluting fossil fuels;
  - Falling costs of renewable energy technologies,
  - Government incentives.

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Outlook of renewable energy (?) : uncertain within a context of current low energy prices

Source : Data from BP Statistical Review of World Energy 2014
Key messages

- From agricultural to minerals and metals to energy markets, prices have been declining over the past few years;
- Main drivers are market imbalances;
- Non-oil commodities prices remain elevated compared to their long term trends, particularly prior to 2003;
- Future of renewable energy? Challenges within the current context of low energy (fossil fuels) prices.

Source: Data from International Monetary Fund, International Financial Statistics
Note: The IMF Energy Index covers crude oil (petroleum), natural gas, and coal
Way forward: some policy options

Falling commodity prices: Huge challenge for CDDCs -

Current account deficit forecast for selected countries as a result of low commodity prices

Source: Bloomberg, The 15 Biggest Losers in Global Trade
Way forward: some policy options

• Support producers to cope with falling prices in agricultural commodity markets:
  – Reduce production costs
  – Compensatory policies for vulnerable farmers

• Promoting economic diversification as medium and long term policy remains crucial for most CDDCs producing MOM and fossil fuels to reduce their vulnerability to global commodity markets

• Continue to promote renewable energy globally despite low prices of fossil fuels for a sustainable development
THANK YOU

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