

United Nations Conference on Trade and Development

**WHAT'S NEXT FOR COMMODITY MARKETS?
INFORMAL INTERACTIVE DIALOGUE ON COMMODITY MARKETS**

Thursday, 31 March 2022, 10:00am - 6:00pm (NY)

Trusteeship Council Chamber, United Nations Headquarters, New York (and online)

Recent Developments in Commodity Markets

By

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

Recent Developments in Commodity Markets

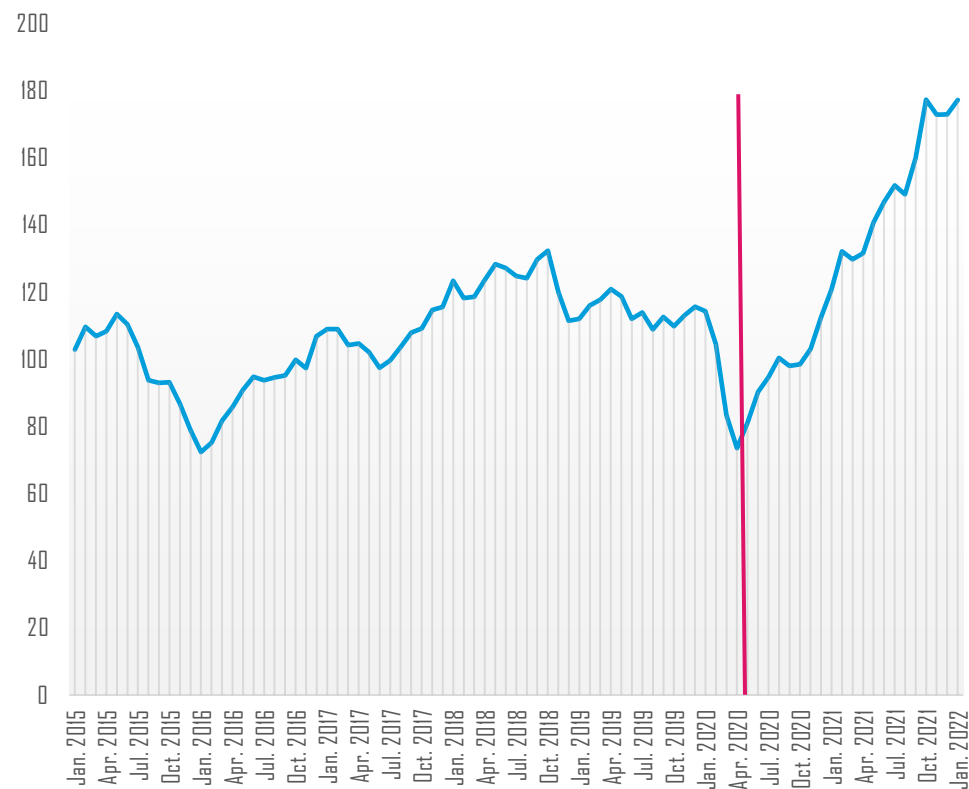
Informal Interactive Dialogue on Commodity Markets
31 March 2022, UNHQ, New York

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General trends in minerals, ores & metals markets

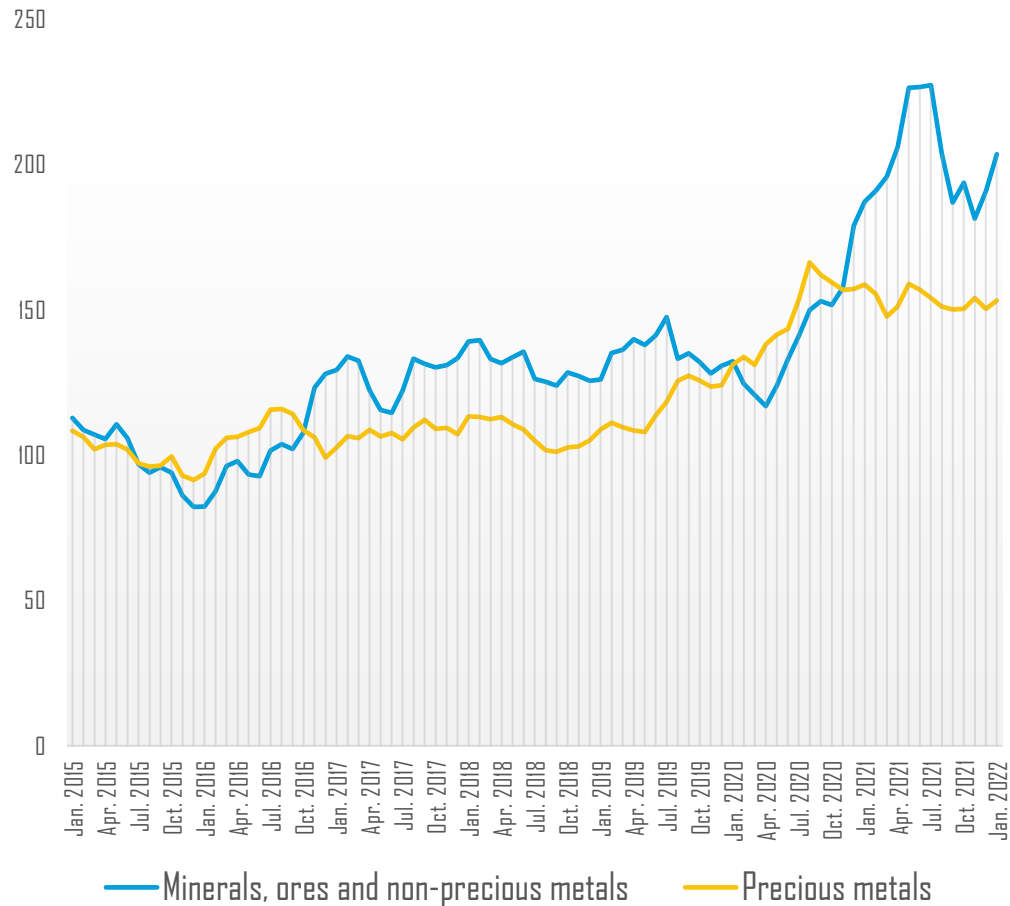


UNCTAD Commodity Price Index



Commodity price trends in the wake of the COVID-19 pandemic

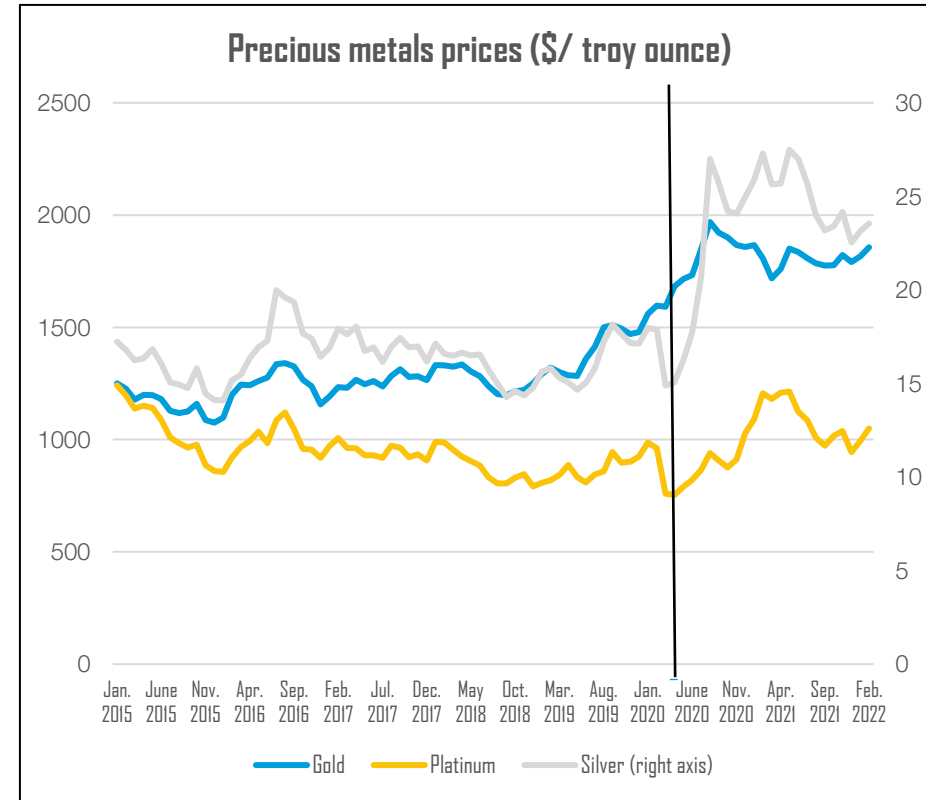
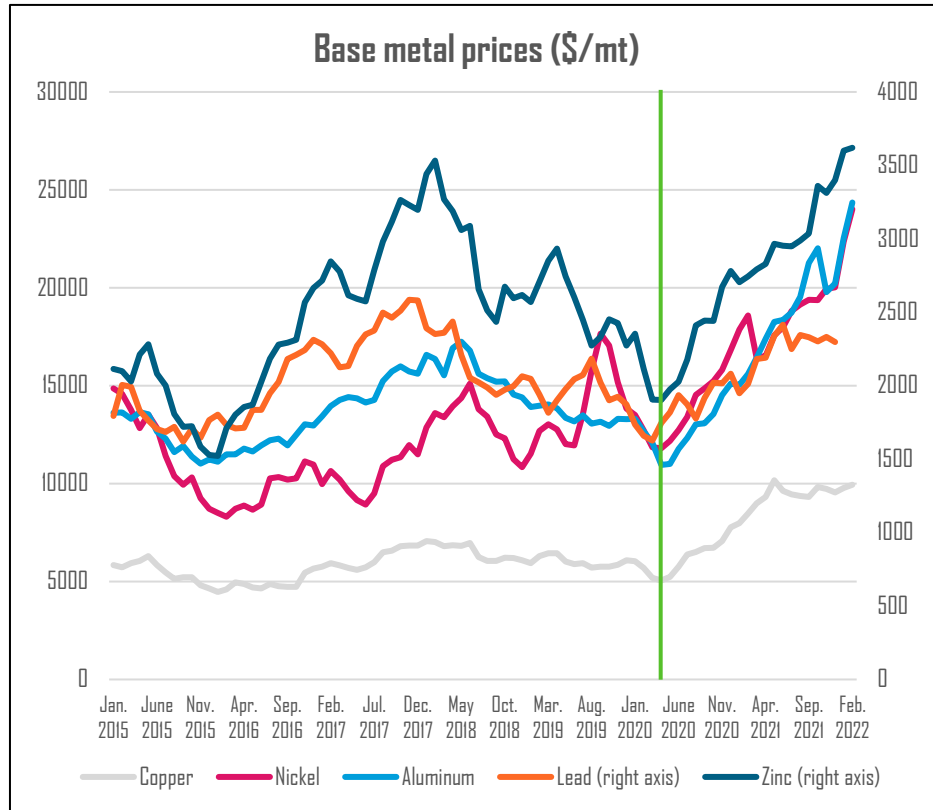
- COVID-19 pandemic led to a sharp deceleration of global economic activity in 2020 and contraction of commodity markets
- The UNCTAD commodity price index declined by 35.7% during the early phase of the pandemic, from January 2020 to April 2020
- From May 2020 onwards the UNCTAD commodity price index followed an upward trend.



Minerals, ores and metals markets

- Sharp decline of price index of non-precious metals at the beginning of COVID-19 followed by rising trend through mid-2021
- Interruption in second half of 2021 was due to drop in iron ore prices.
- In Q1 2022, the index returned to its increasing trend
- Precious metals index increased steeply during the early phase of the COVID-19 driven by increasing demand for gold, a safe haven asset

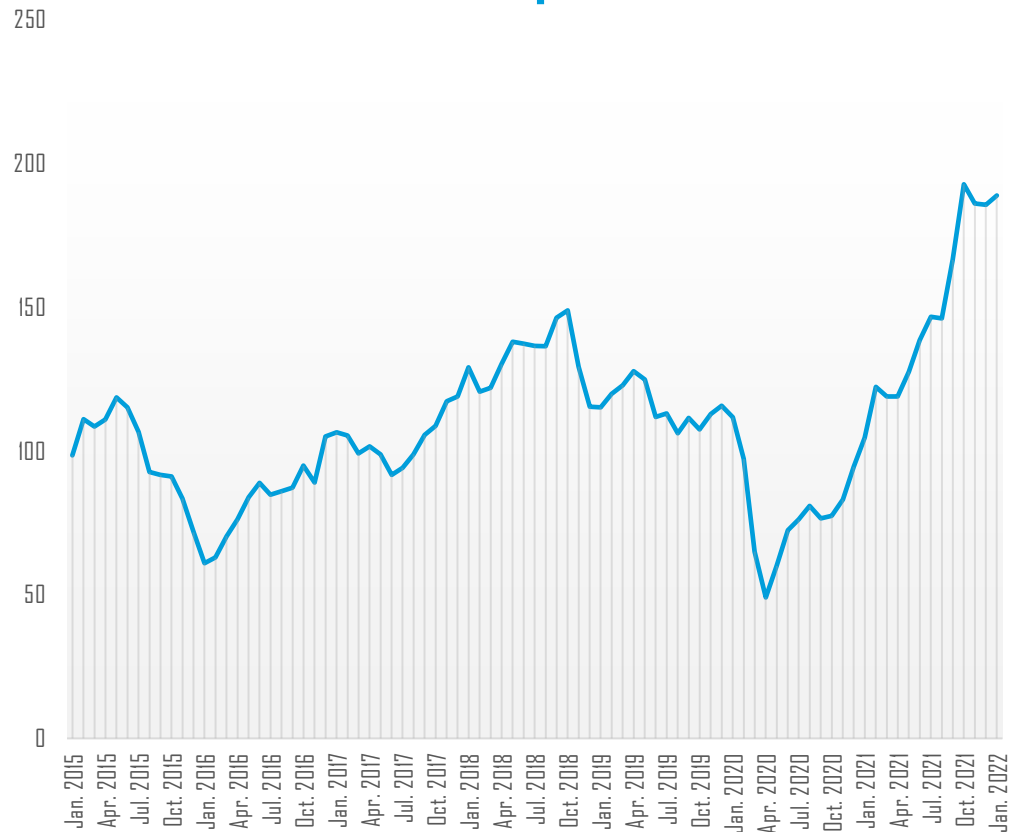
Prices of all major metals increased



Energy Markets

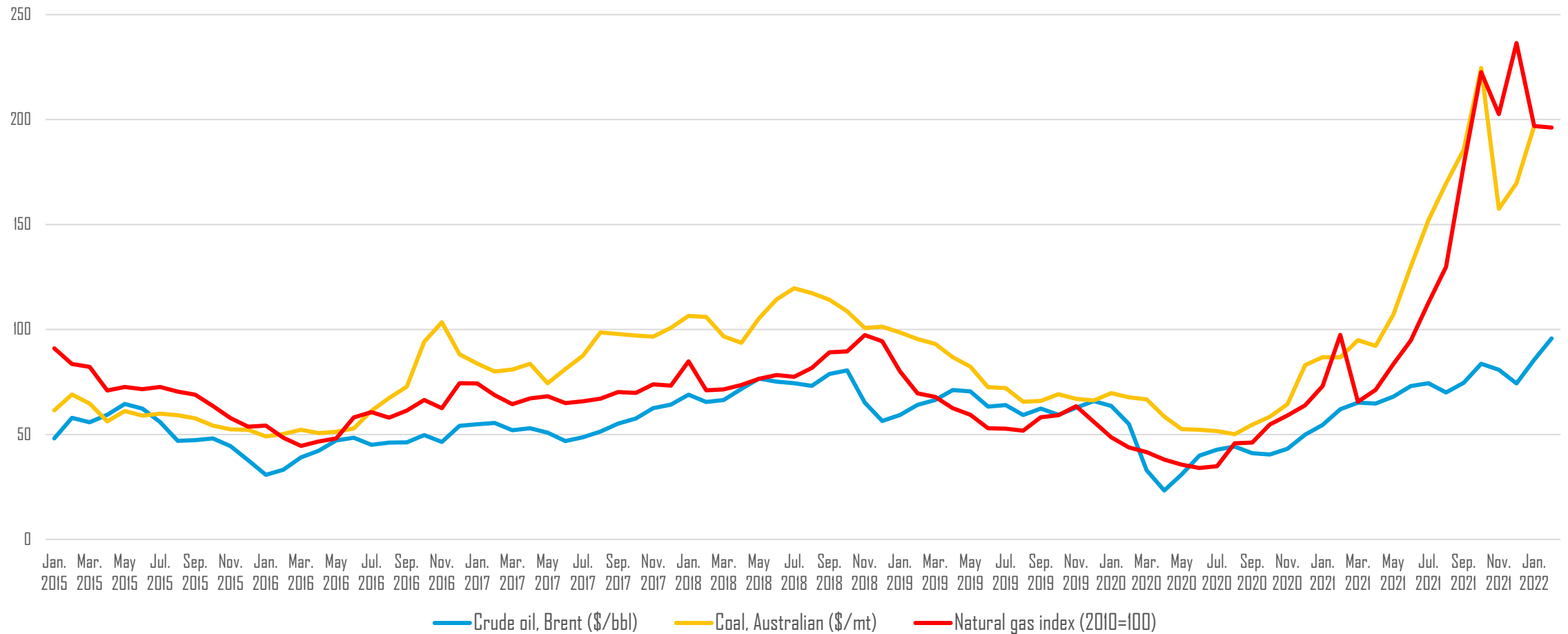


UNCTAD fuel price index



- The UNCTAD fuels price index dropped by 56.1% from 111.7 points in January 2020 to 49.1 points in April 2020.
- From May 2020, price index followed an upward trend as economies eased lockdowns and OPEC+ agreed on important crude oil production cuts
- In January 2022, the index stood at 188.8 points, registering an 81% year-on-year increase.

Energy prices

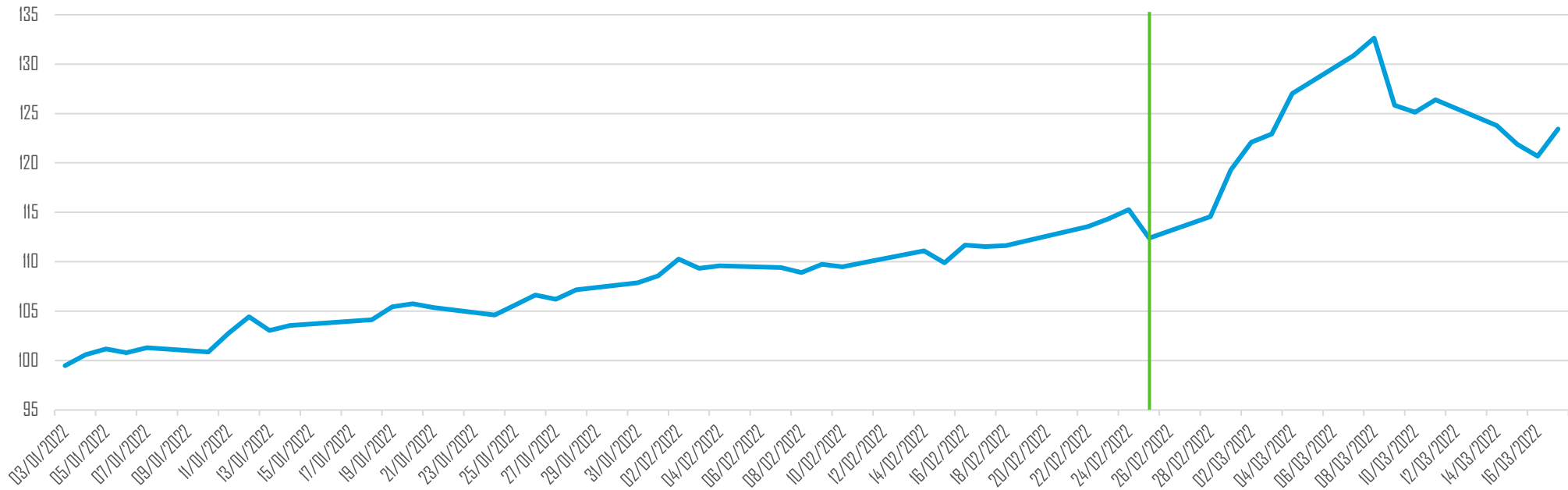


A quick look at commodity markets in the context of the war in Ukraine



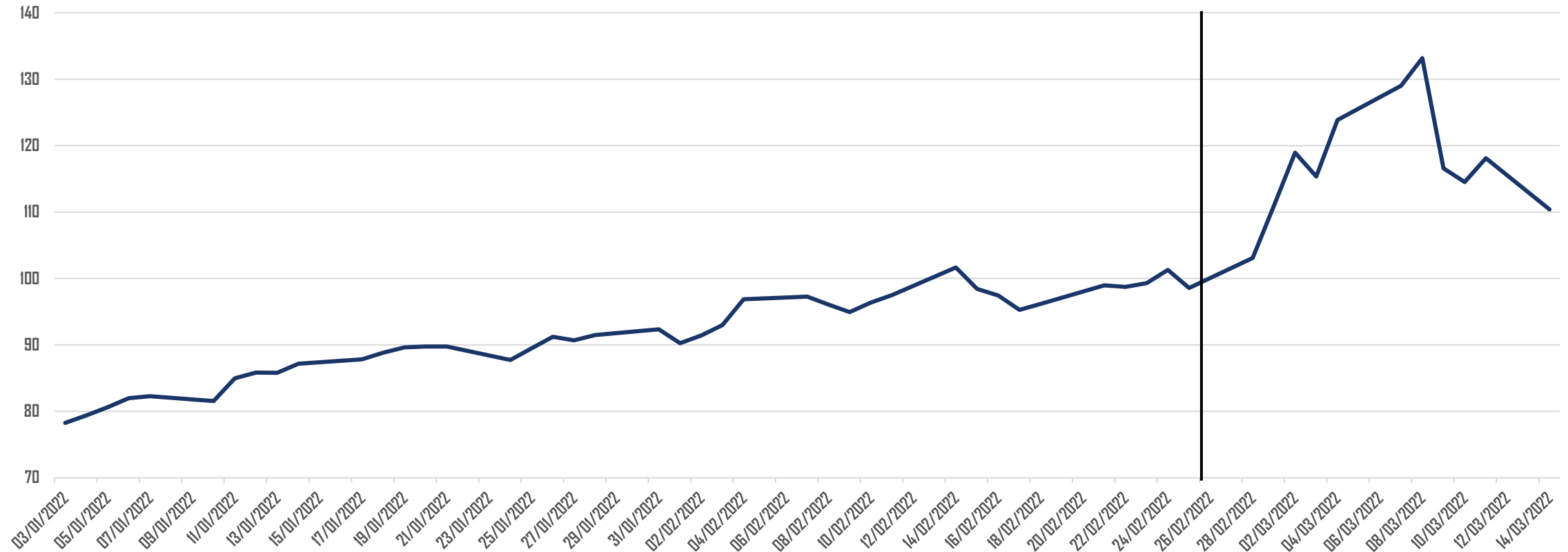
Rise in the global commodity price index

Bloomberg Commodity price Index

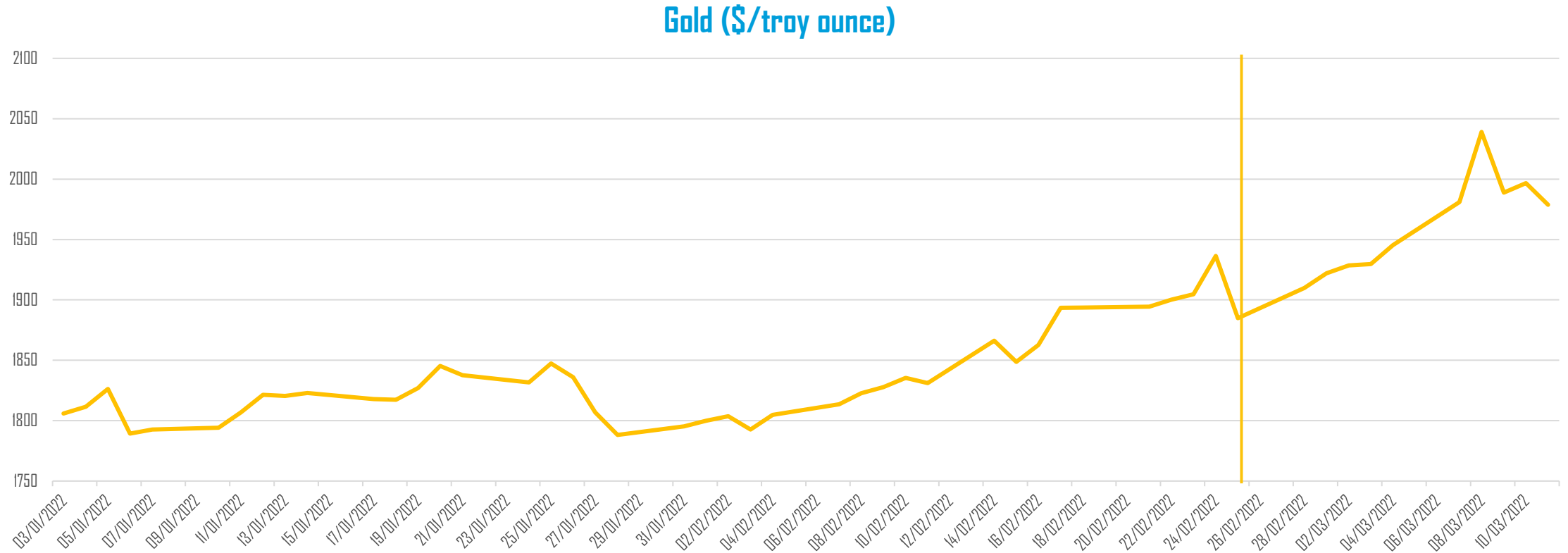


Immediate reaction of the oil market

Brent (\$/barrel)



Demand for gold, a safe haven asset, rose in the aftermath



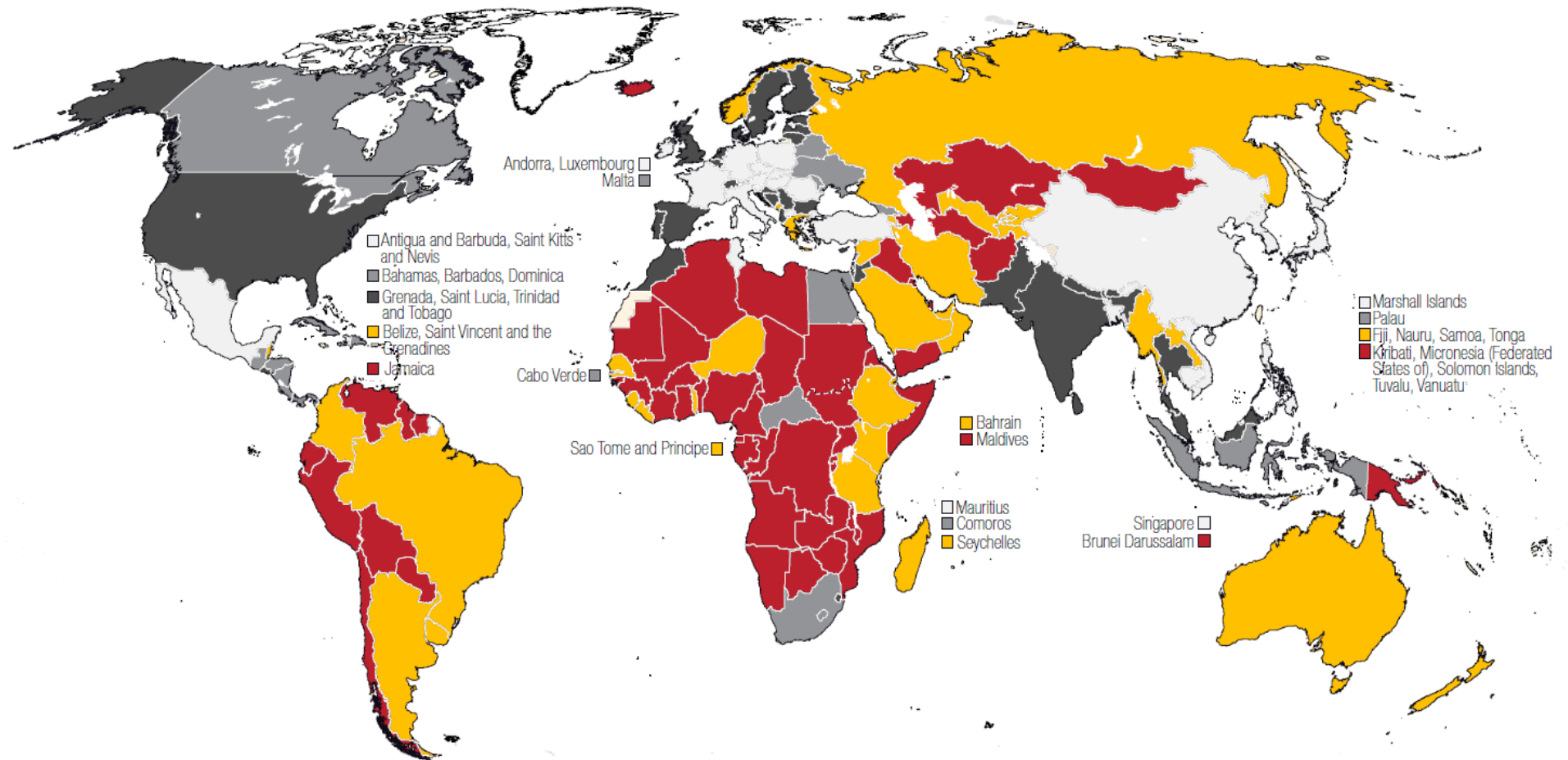
Impacts of recent commodity price trends



Different impacts on exporters and importers

- High prices provide a boost for commodity exporters as they try to rebuild their economies in the aftermath of the COVID-19
- But for importers (e.g., food and fuels), high prices mean higher import bills & could increase poverty, food insecurity, & inflation
- UNCTAD has recently been sharing its research on these effects
- What are countries most affected by commodity dependence challenges?

Regional distribution of commodity dependence



Commodity exports as share of merchandise exports (percentage), 2018–2019

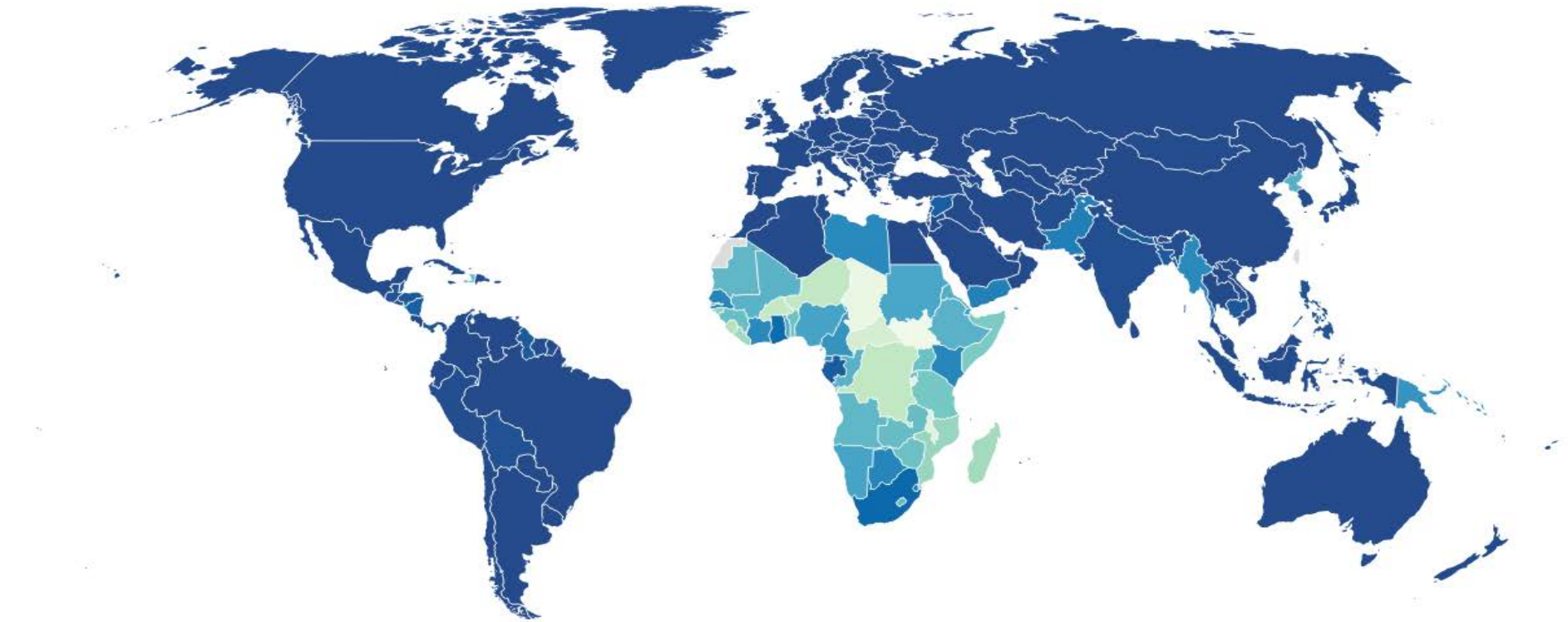
0–20
 20–40
 40–60
 60–80
 80–100
 Not member State of UNCTAD

Covid-19 laid bare the fragility of CDDCs

- Commodity price fluctuations are accompanied by, among others:
 - Volatility of export and fiscal revenue
 - Fluctuations and sudden reversals of capital flows
 - Terms of trade shocks
- Recent commodity price hikes & high uncertainty remind us of the need to build resilient economies via economic & export diversification
- Access to affordable, reliable & modern energy (SDG 7) key for successful diversification

But access to electricity is still a challenge in Africa

Access to electricity (% of population), 2019



Conclusion



Learning from recent shocks...

- COVID-19 and recent war in Ukraine highlight fragility of CDDCs and the urgency to diversify their production and exports
- Industrialization will allow production of goods that are less exposed to vagaries of shocks and attract higher prices and hence revenues, but ...
- Industrialization, particularly in Africa, requires access to affordable & reliable energy
- Addressing this issue requires our utmost attention

Thank you!

