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Recent trends and outlook in commodity markets
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Outline

UNCTAD’s commodity price index
Food and agricultural commodities
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Energy markets
Policy implications
Conclusion
Commodity prices have been on an upward trend since mid-2020

- In 2021, the main driver was the economic recovery following the initial waves of the pandemic, leading to a 43% increase in the index.

- The war in Ukraine has since added new inflationary pressures, notably in energy and agricultural markets.

- In August 2022, the UNCTAD commodity price index stood at 235.44 points, registering a 58% year-on-year increase.
Agricultural commodities
Soaring food prices: concerns over food security

Wheat, maize, and rice prices are 17%, 16% and 7% higher in August 2022 compared to last year.

- Unfavourable weather and soaring fertilizer prices prompted a 16% increase in the UNCTAD food price index in 2021.
- The food price index peaked at 159.3 in March 2022, fueled by the war in Ukraine and disruptions in the wheat, maize and sunflower oil markets.
- Despite a decline, the food price index remains high, causing growing concerns about food security.
  - Countries in Africa and in LDCs are particularly vulnerable due to their dependence on wheat imports from the Russian Federation and Ukraine.
- The price index of agricultural raw materials marginally increased up to May 2022 due to rises in cotton prices before resuming its downward trend.
The prices of cereals and vegetable oils have been on decline since hitting record highs earlier in the year.

Despite this decline, prices remain elevated: Wheat, maize, and rice are 17%, 16% and 7% higher in August 2022 compared to last year. The price of sunflower oil is 10% higher.
Minerals, ores and metals
Minerals, ores, and metals affected by rising costs amid strong demand

Energy prices increased the costs of energy-intensive metals, while demand for sustainable energy rose the prices of copper and nickel.

- In the first half of 2021, the UNCTAD’s minerals, ores and non-precious metals price index rose by 21%.
- This was driven by price increases in all commodities in the group, particularly iron ore, aluminium and copper.
- The interruption in the second half of 2021 was due to a drop in iron ore prices.
- In Q1 2022, the index returned to its increasing trend due to high energy prices and strong demand for sustainable energy generation and consumption before dropping again as recession fears grow.
- The precious metals index has trended downwards since 2021 due to a slump in the demand of such minerals as safe haven assets.
Base metals are on the decline after peaking in March 2022
Energy markets
Record-high energy prices: a 98% year-on-year increase

In August 2022, the UNCTAD Fuel Price Index stood at 289.5 points, registering a 98% year-on-year increase

- In 2021, the UNCTAD fuel price index continued its upward trend, stemming from limited supply amid a rebound in demand for natural gas.
- This has since been exacerbated by geopolitical tensions associated with the war in Ukraine.
- In August 2022, the natural gas index was 454 points, from 129.8 points the previous year, representing a 250% increase.
- High fuel prices lead to inflationary pressures and pose a risk to energy security.
Soaring energy prices led by natural gas, which saw a 250% year-on-year increase in August 2022.
Policy implications
Different impacts on exporters relative to importers

- High prices improve the export and fiscal revenues of exporting countries, facilitating budgeting and development planning.

- For net importers, high prices for food staples and fuels lead to inflationary pressures and difficulties in securing access to food and energy supplies at affordable prices.

- This will disproportionately affect the poorest countries and populations, as they tend to spend a larger proportion of their incomes on food.
Recent shocks highlight the fragility of countries that over-rely on a single commodity or trading partner

- 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 and high uncertainty highlight the urgency to build resilient economies via economic and export diversification.
- Diversification of imports is also important to minimize the risk of food and fuel insecurity.
- Net-food importers are encouraged to build more resilient food systems via increased domestic production, and regional food supply chains, where possible.
- Net-fuel importers are urged to diversify their energy mix and invest in energy conservation and efficiency.
Conclusion
Learning from recent shocks...

- The pandemic 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.

- It is equally important to diversify import markets and take action to build more resilient food systems and a reliable energy supply.
Thank you!