United Nations Conference on Trade and Development

**13th Multi-Year Expert Meeting on Commodities and Development**

**10-12 October 2022, Geneva**

# Recent trends and outlook in commodity markets

By

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# Outline

- UNCTAD's commodity price index
- Food and agricultural commodities
- Minerals, ores and metals
- Energy markets
- Policy implications
- Conclusion

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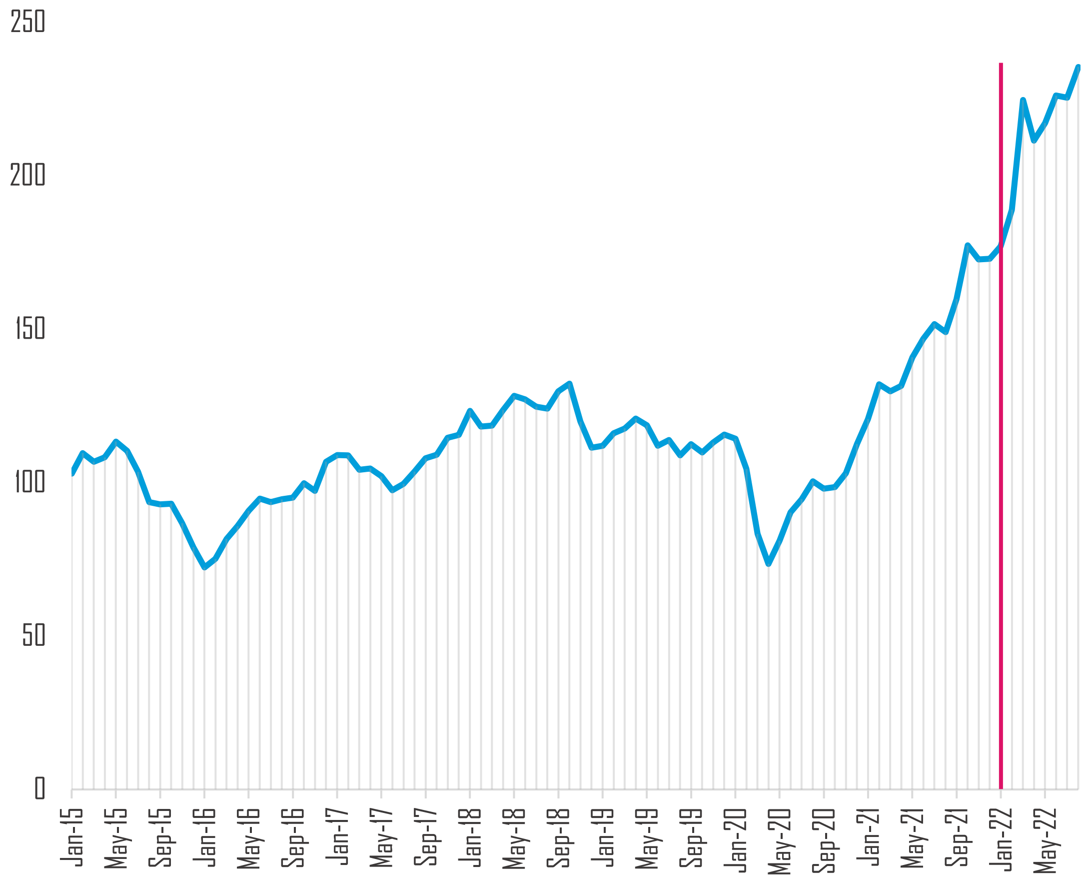
## UNCTAD Commodity Price Index (base year=2015)




# 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.

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# Agricultural commodities

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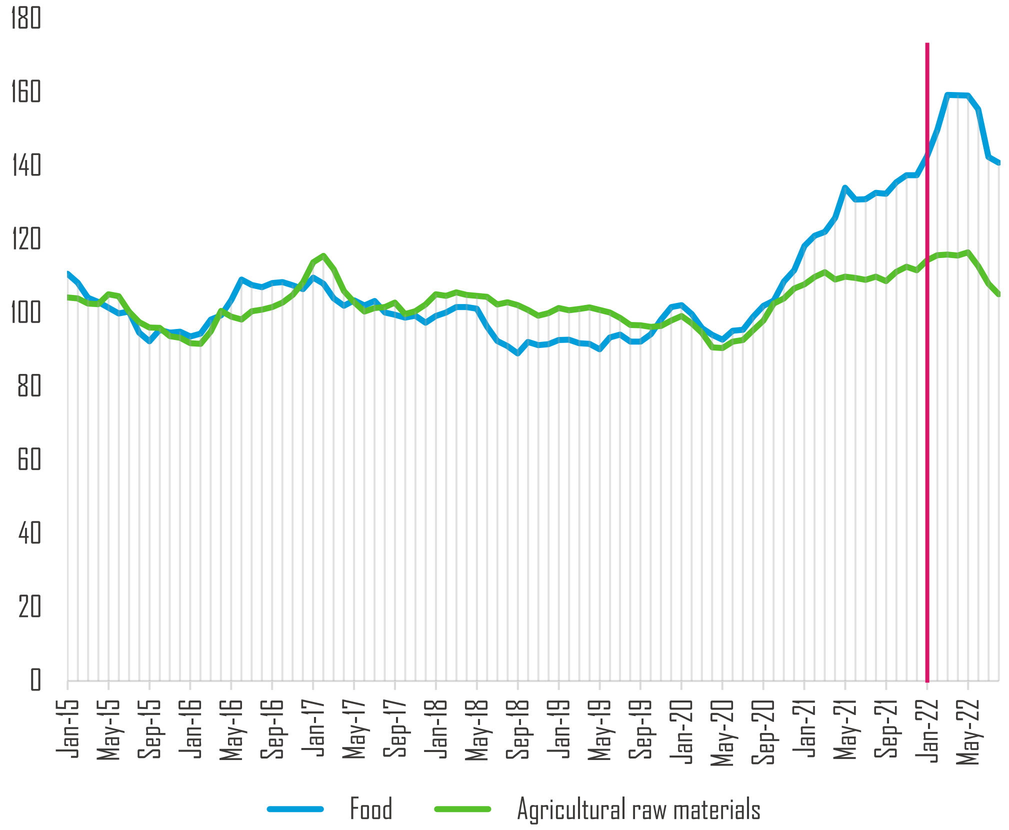
# Soaring food prices: concerns over food security

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.

## UNCTAD Food Price Index (base year=2015)

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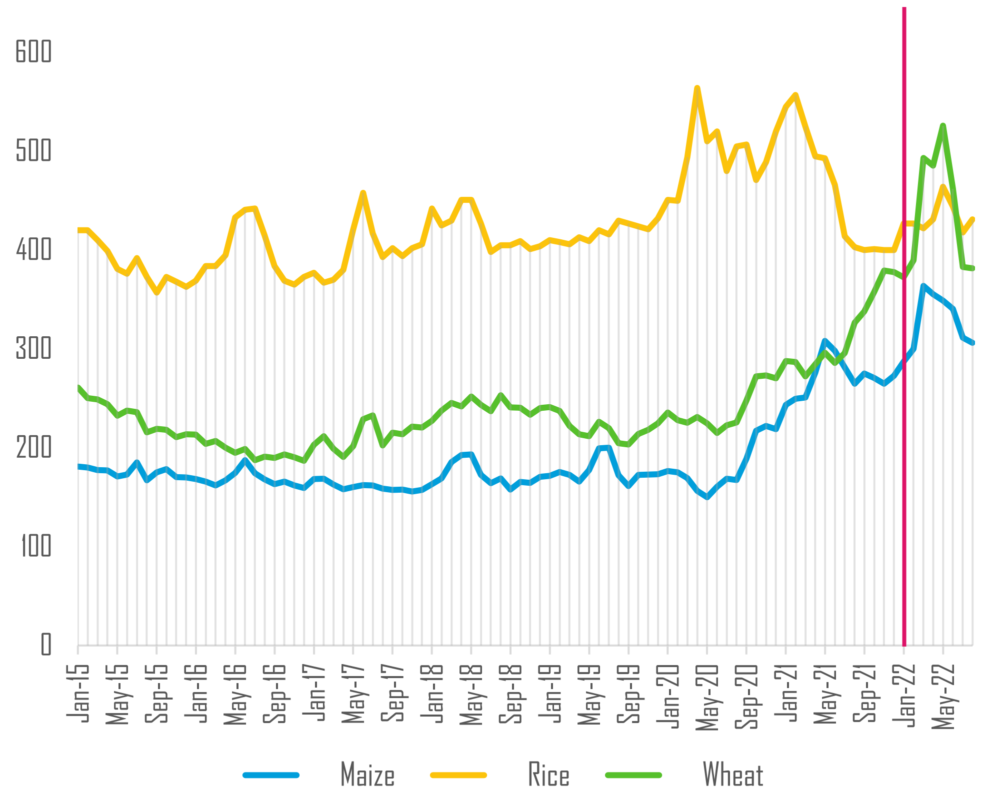
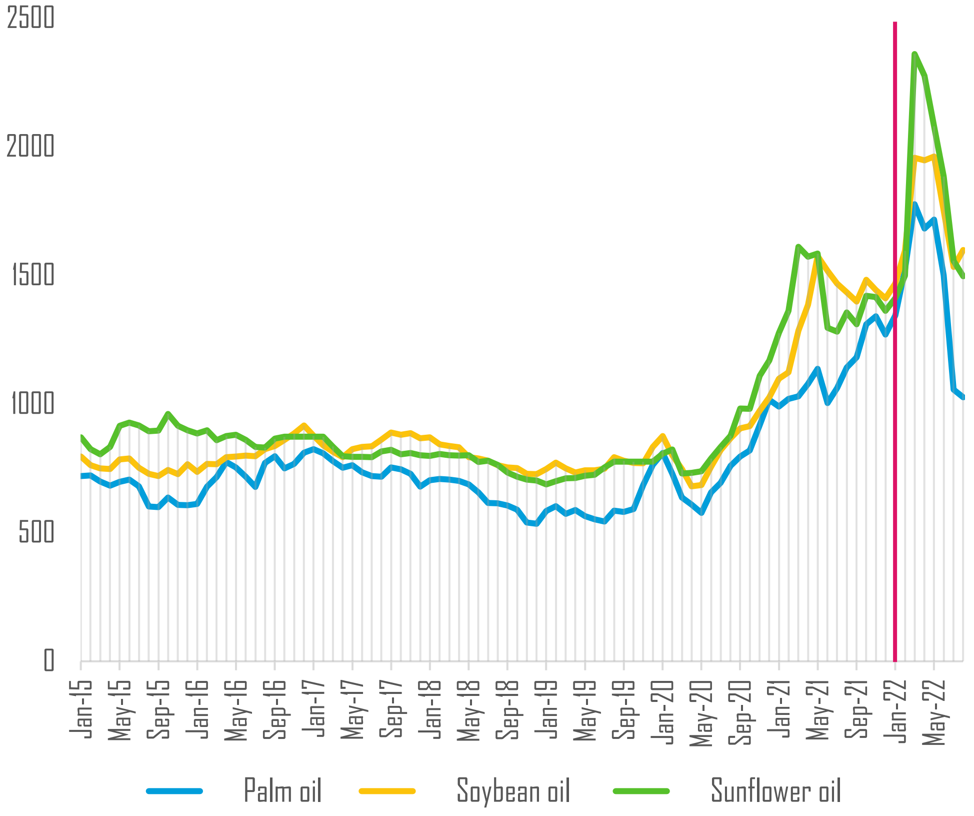
# The prices of cereals and vegetable oils have been on decline since hitting record highs earlier in the year

Prices of select cereals (USD/mt)




Prices of select vegetable oils (USD/mt)




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.

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# Minerals, ores and metals

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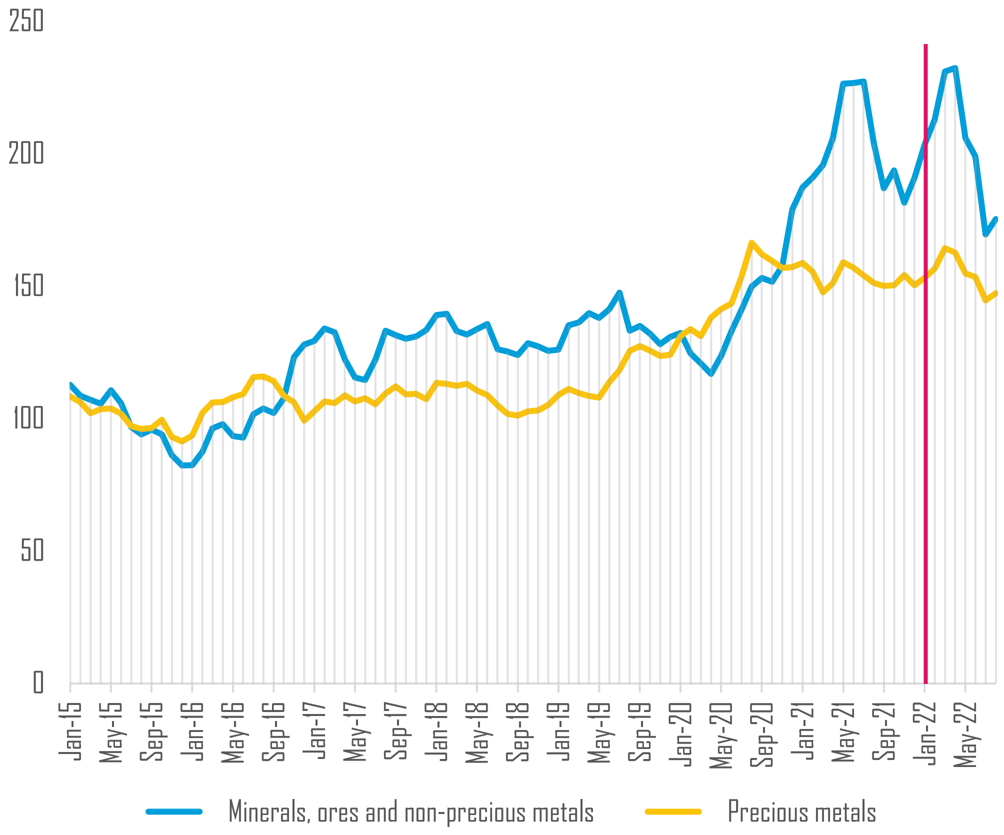
# Minerals, ores, and metals affected by rising costs amid strong demand

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.

UNCTAD Metals Price Index (base year=2015)

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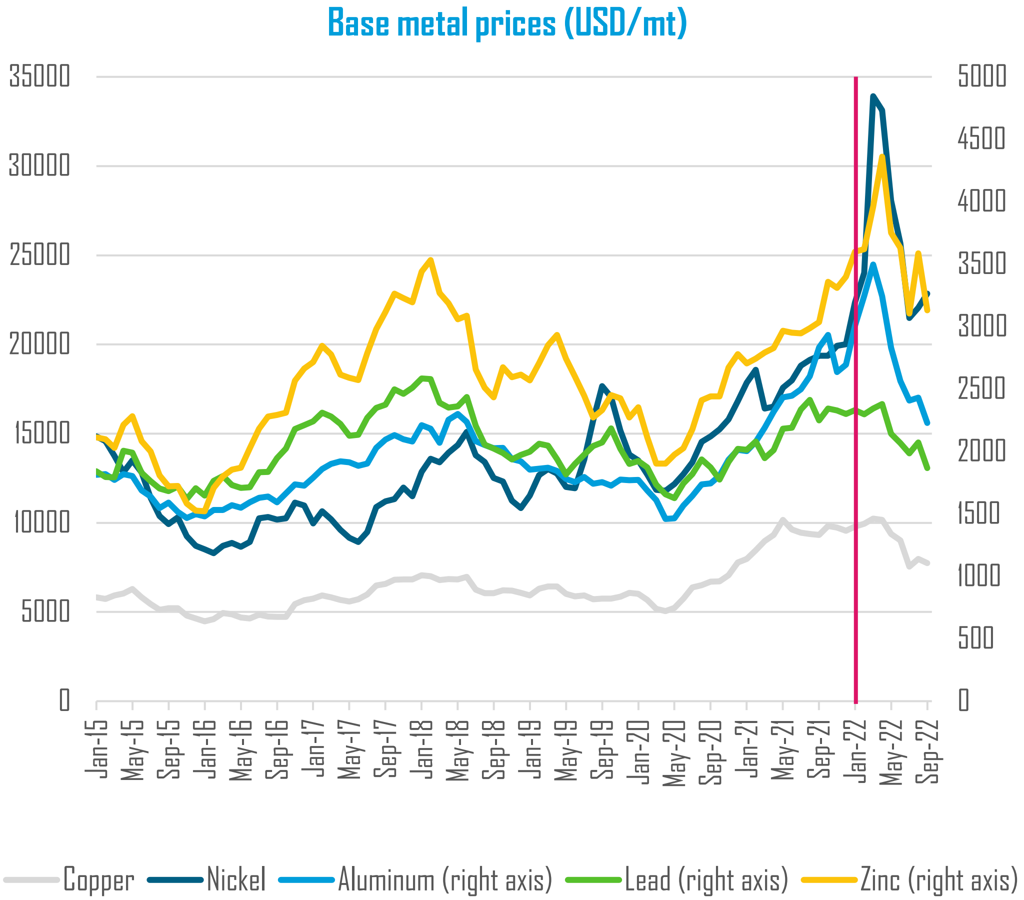
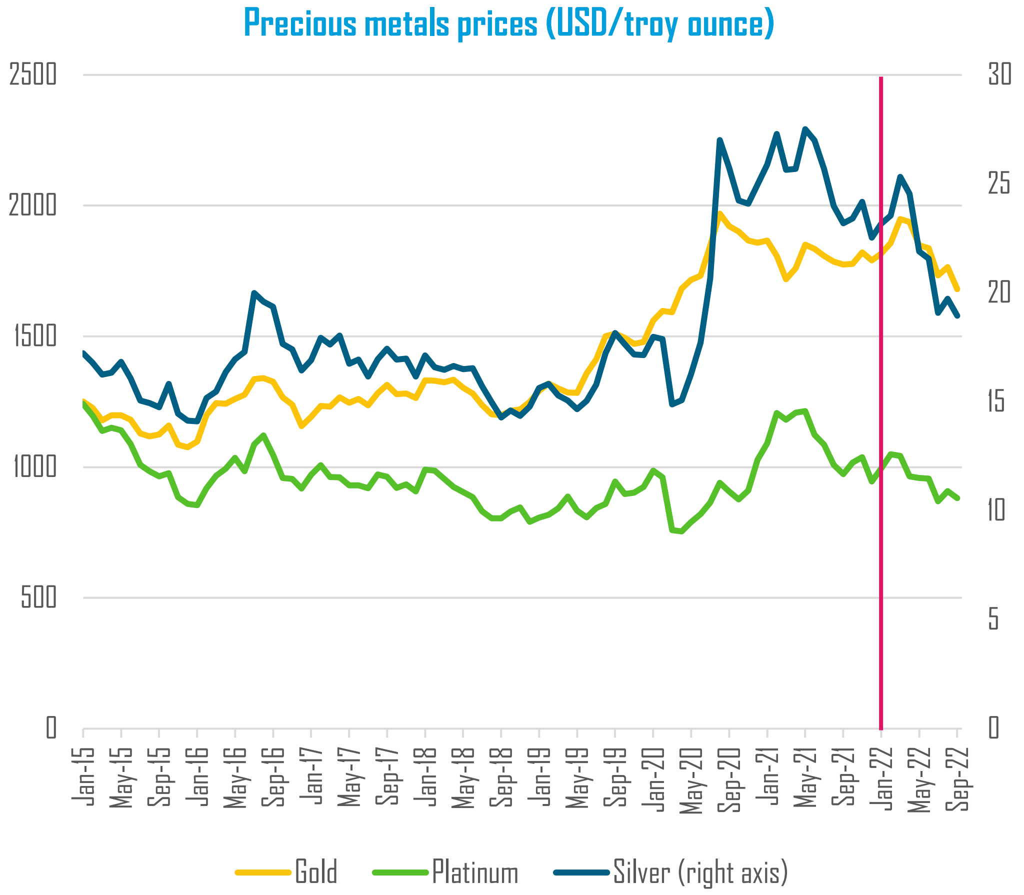
# Base metals are on the decline after peaking in March 2022

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# Energy markets

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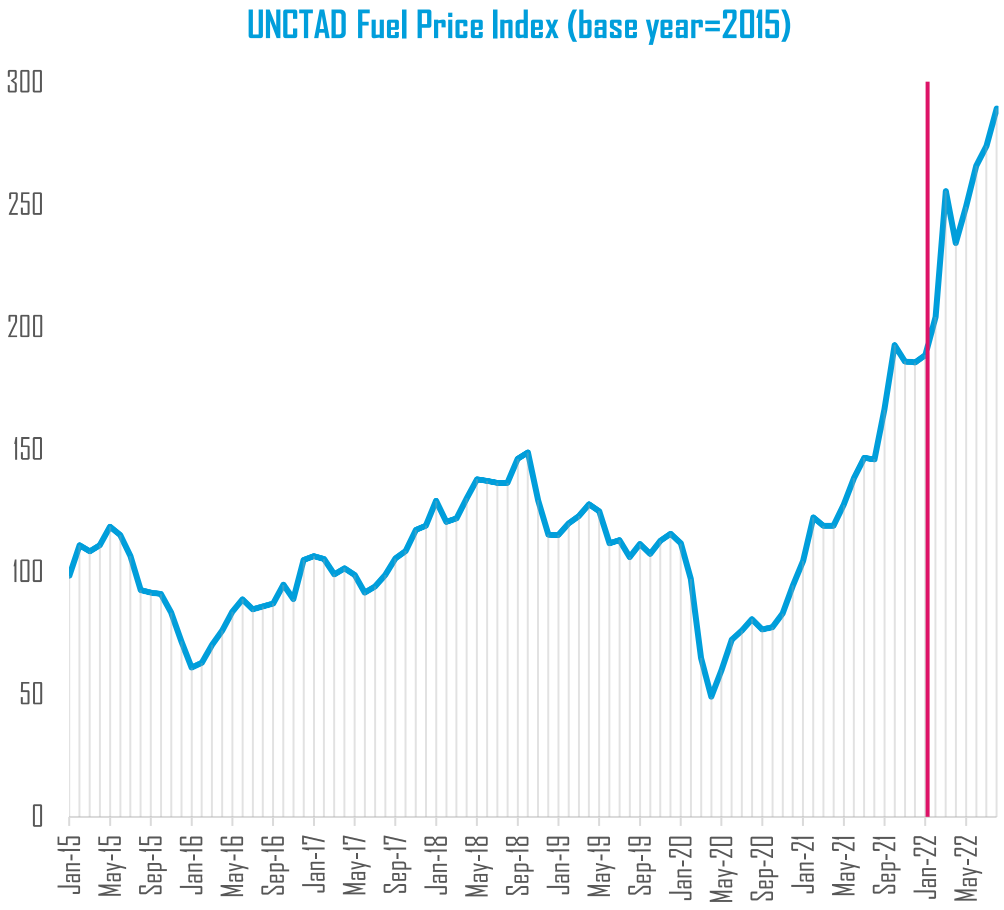


# Record-high energy prices: a 98% year-on-year increase

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.

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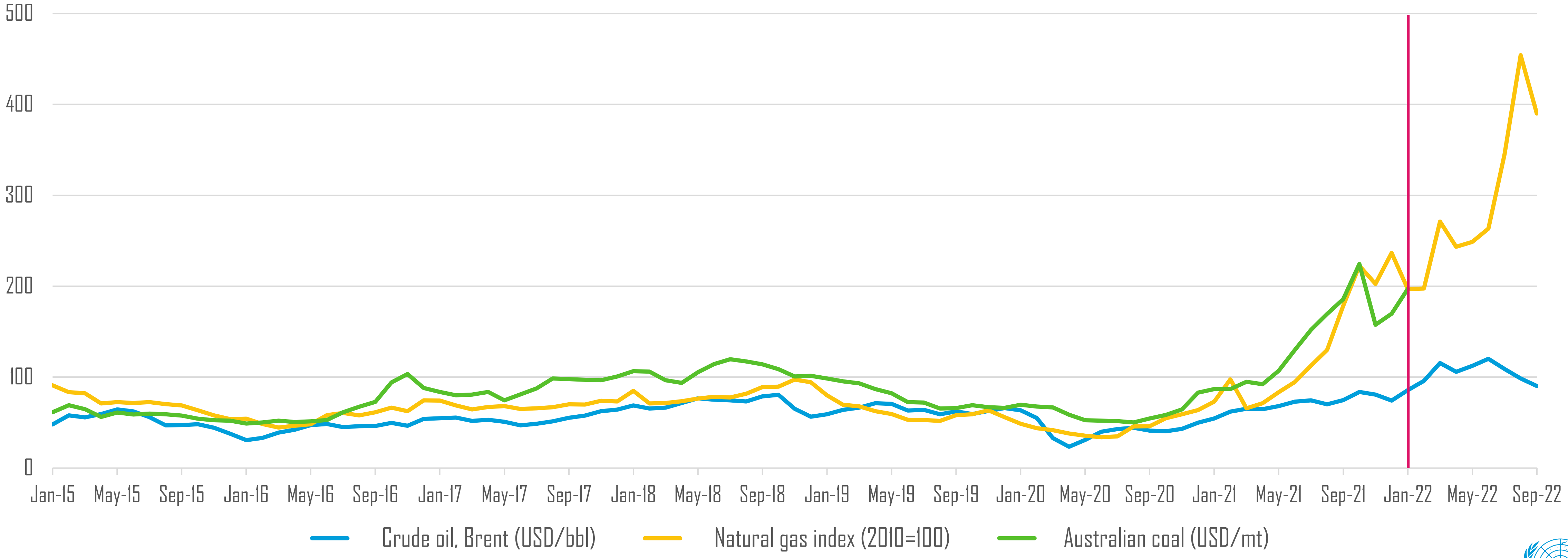
# Soaring energy prices led by natural gas, which saw a 250% year-on-year increase in August 2022

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# Policy implications

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# 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.

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# 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 pice 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

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# Conclusion

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# 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.

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# Thank you!

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