

United Nations Conference on Trade and Development

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World commodity trends and prospects

By

Janvier Nkurunziza, Chief, Commodities Branch, Division on International Trade and Commodities
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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

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Janvier Nkurunziza

Commodities Branch, UNCTAD

janvier.nkurunziza@un.org



Outline

 UNCTAD's commodity price index

 Food and agricultural commodities

 Minerals, ores and metals

 Energy markets

 Policy implications

UNCTAD Commodity price index

ALL FOOD

- Food

Wheat

Maize

Rice

Sugar

Bovine meat

Bananas

Pepper

Soybean meal

Crustaceans*

Fish*

- 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

AGRICULTURAL RAW MATERIALS

Fish meal fodder*

Tobacco

Cotton

Wool

Jute

Hides and skins

Tropical logs

Tropical sawnwood*

Plywood*

Rubber

Fuels*

Natural gas*

Coal*

Crude petroleum*

MINERALS, ORES AND METALS

- Minerals, ores and non-precious metals*

Phosphate rock

Manganese ore

Iron ore

Aluminium

Copper

Nickel

Lead

Zinc

Tin

Tungsten ore

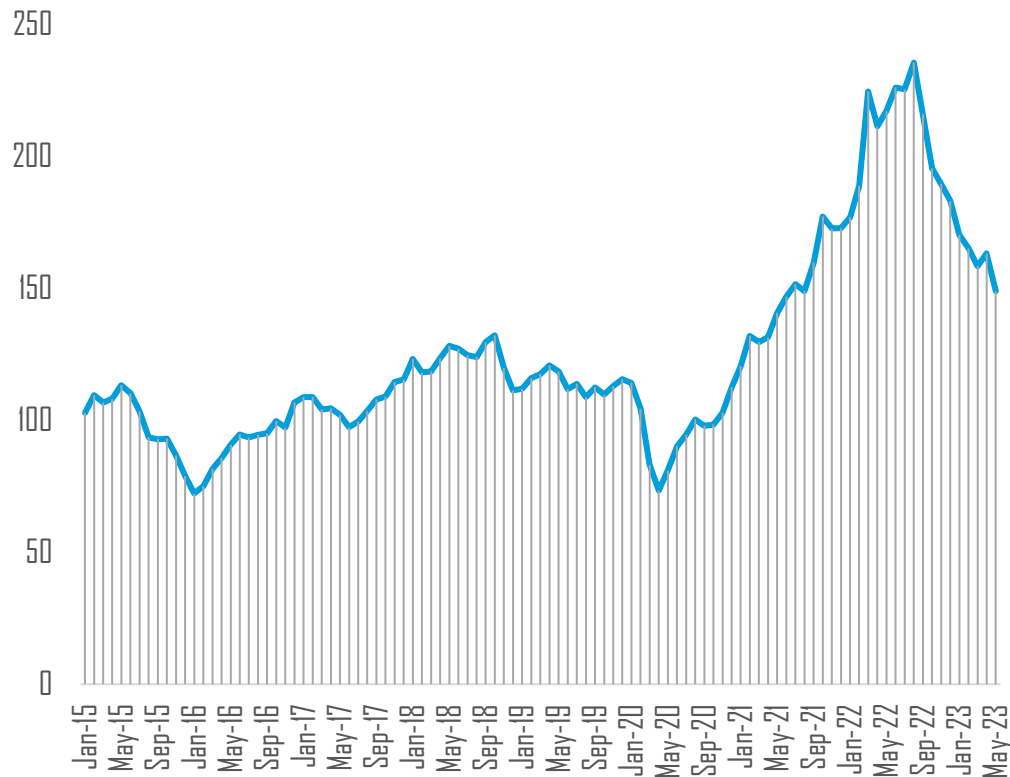
- Precious metals*

Gold*

Silver*

Platinum*

UNCTAD Commodity Price Index (base year=2015)

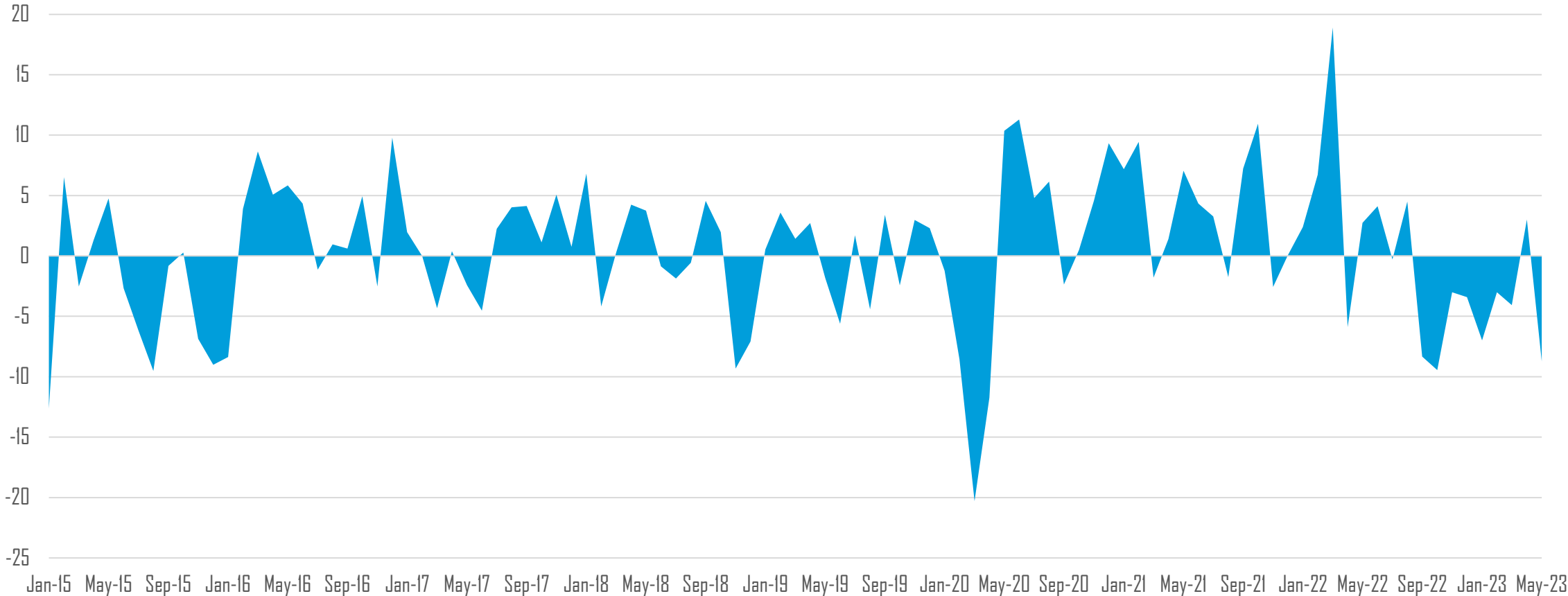


Commodity prices have been on a declining trend since peaking in August 2022

- Following the **peak** in August 2022 due to **uncertainty** and **supply disruptions** stemming from the war in Ukraine, prices declined substantially.
- The UNCTAD Commodity Price Index **fell** by **37 per cent** between August 2022-May 2023, averaging 149 in May 2023.
- The main driver was reduced demand associated with **fears** of a global economic **recession** and **affordability** concerns.



Prices have been highly volatile since 2020



Agricultural commodities

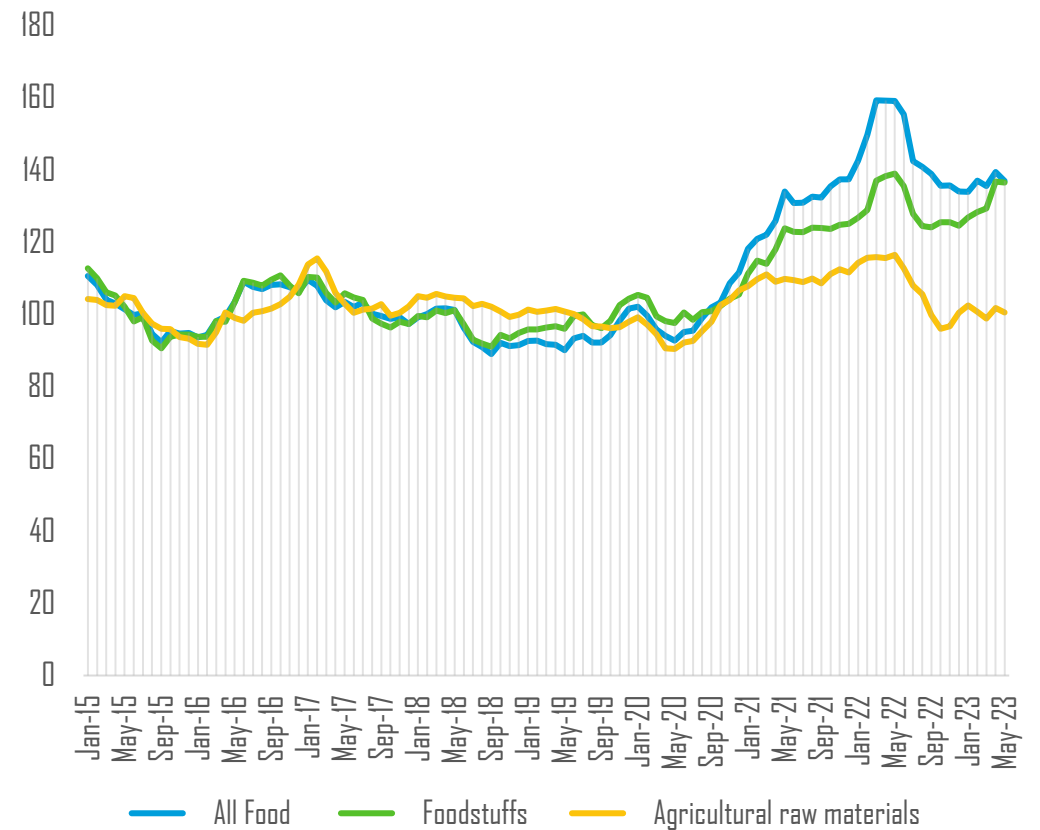




Food prices remain elevated despite declines in 2022

- 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.
- The index **fell by 16%** by December 2022 driven by the Black Sea Initiative and generally favourable weather.
- Despite this, prices remain high, averaging **137** in May 2023 and causing **concerns** about **food security**.
 - Lower-income developing countries are particularly vulnerable
 - **Strengthening** of the **US dollar** against domestic currencies in developing countries played a role, **adding pressure** to **import bills**
- Inflationary pressure from halting of **flows** from **Black Sea Region?**

UNCTAD Food Price Index (base year=2015)



Minerals, ores and metals



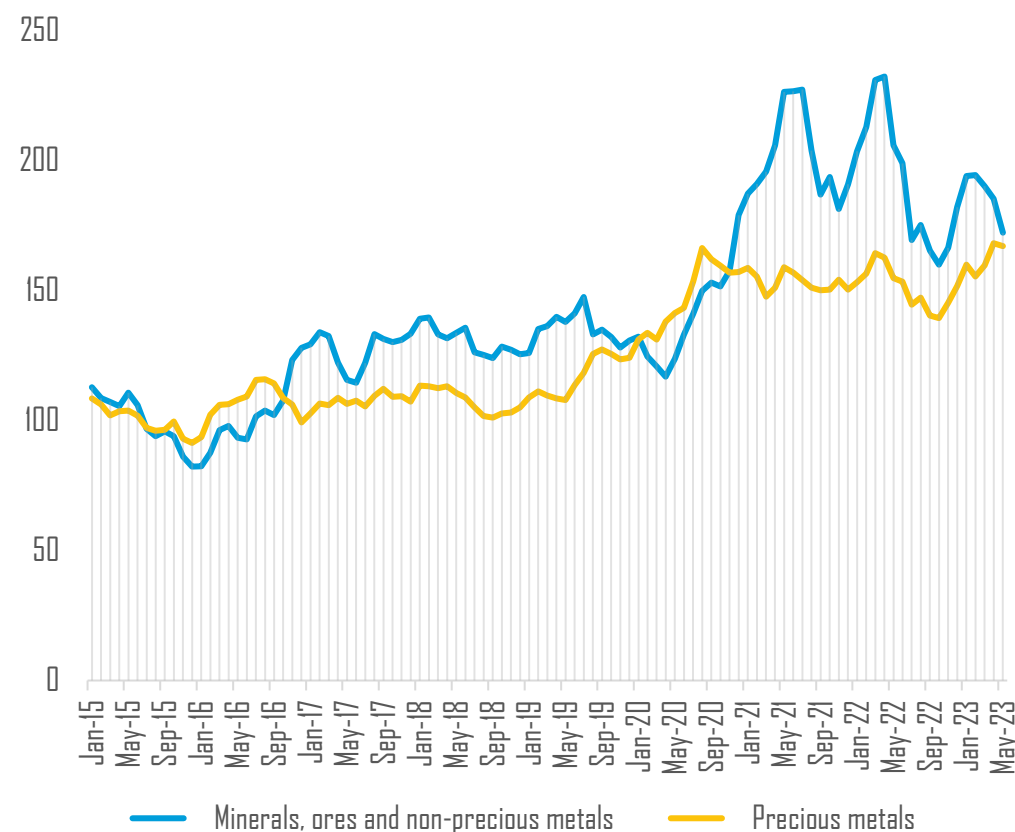


Price of minerals, ores, and metals on the rise in 2023

Energy prices and changes in demand behind the price fluctuations in the metals price indices.

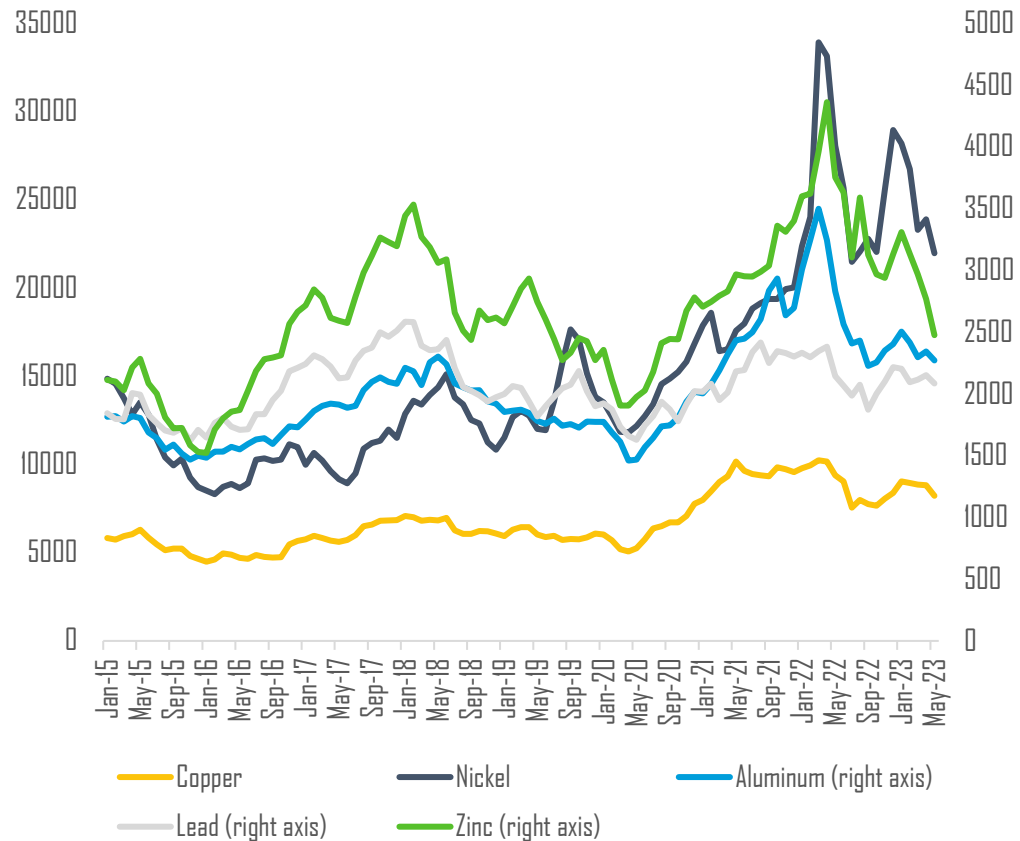
- In Q1 2022, the minerals, ores and metals index increased due to **high energy prices** and strong demand for **sustainable energy** generation and consumption before declining in May 2022 due to **recession fears**.
- Minerals, ores and metals **increased in Q1 2023** due to **strong recovery** in China and **improved growth sentiment**.
- The **precious metals index** has **fluctuated** due to changes in demand.

UNCTAD Metals Price Index (base year=2015)

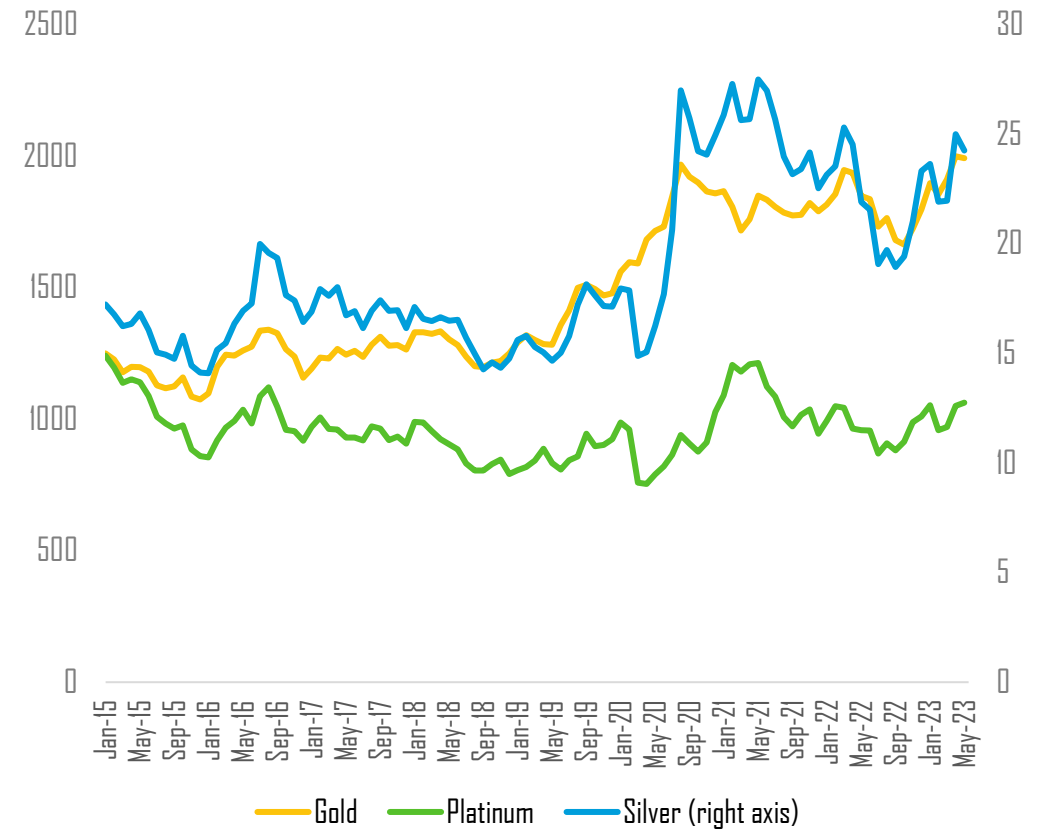


Base metals prices are on the decline after peaking in March 2022

Base metal prices (USD/mt)

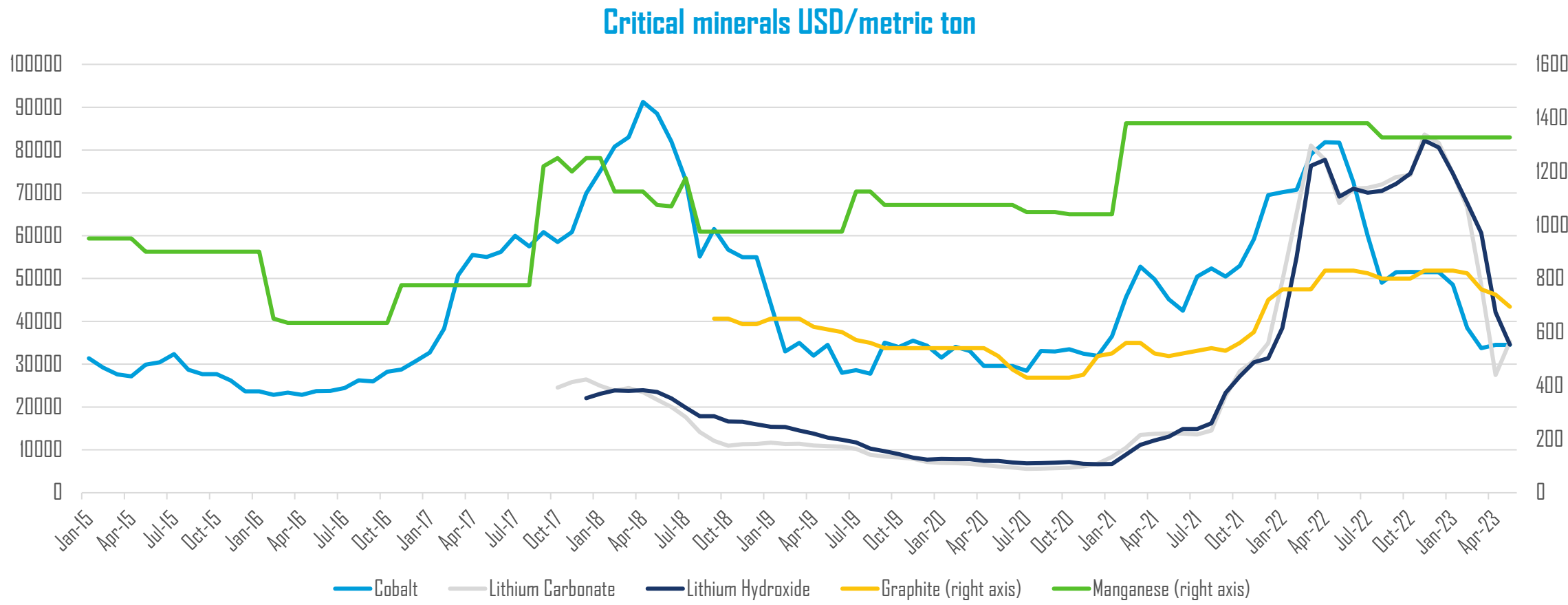


Precious metals prices (USD/troy ounce)





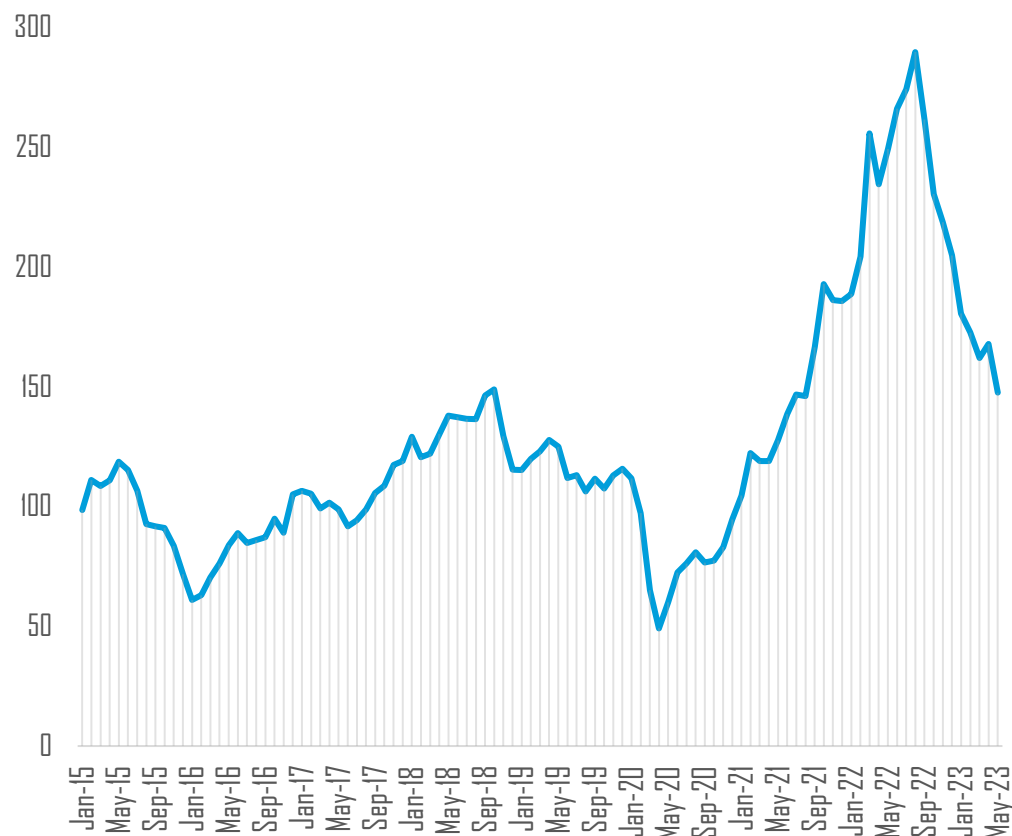
Prices of critical minerals on the decline due to low demand for EV in China



Energy markets



UNCTAD Fuel Price Index (base year=2015)

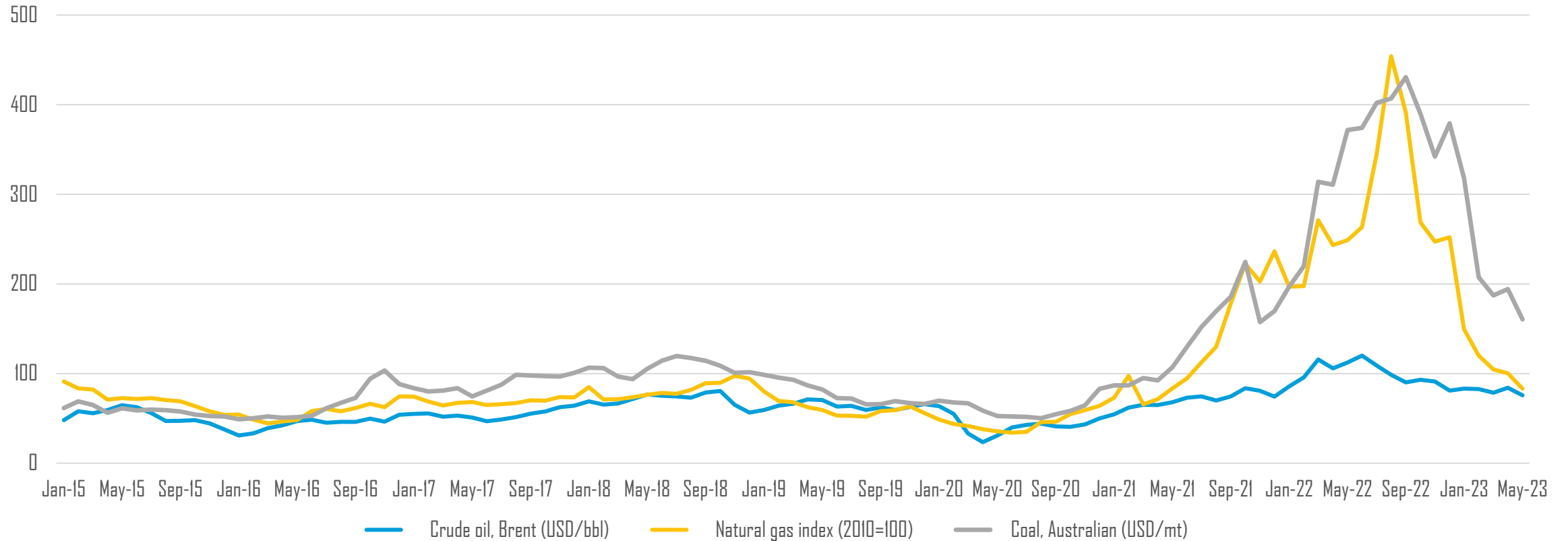


Energy prices on a declining trend after reaching highs in August 2022

- In 2022, the UNCTAD fuel price index continued its **upward trend**, peaking at 290 in August 2022.
 - This was led by increases in the **natural gas** index, which saw a **250%** year-on-year increase in August 2022.
- The fuel index has since **decreased 49%** to 147.5 points in May 2023 due to drops in natural gas and coal prices.
- This decline has been due to:
 - concerns about a global **economic slowdown**
 - reduced demand for fuel commodities after **replenishing gas** inventories in Europe.



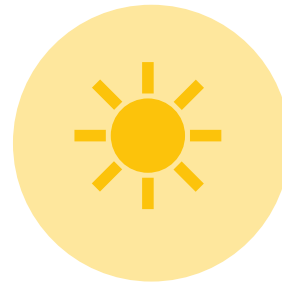
Energy prices decline due to fears of recession and a stabilisation of natural gas and coal prices



Renewable energy demand and generating capacity has been on the rise



Renewable energy demand increased by 14.6 per cent in 2021, driven by consumption growth in geothermal, wind and solar energy.



This has been supported by climate targets and policies that have spurred demand for renewable energy.



Generating capacity recorded a record-high increase of 295 gigawatts between 2021-2022 despite uncertainty and supply chain challenges.



The focus on energy security and the energy transition has fueled momentum for renewables and critical minerals, of which demand will likely increase with the adoption of clean energy technologies.

Some policy implications





Different impacts on exporters relative to importers

- Price volatility leads to **unstable** export and fiscal **revenues** of **exporting countries**, hindering budgeting and long-term development planning.
- Despite price declines in food and fuel markets, prices remain elevated.
 - For **net importers**, high prices for food staples and fuels led to **inflationary** pressures and **difficulties** securing affordable access to **food** and **energy** supplies.
 - High food inflation led to a **cost-of-living crisis** in many developing countries. With high interest rates, this exacerbated countries' **debt positions**, **leading** to higher inequalities worldwide.



Resilient economies needed for food security and strong energy systems

- Build resilient economies via economic and export diversification in line with decarbonization agenda, including domestic value addition to commodities.
- Diversification of imports equally important to minimize risk of food and fuel insecurity; this was salient with war in Ukraine, even though the Black Sea Initiative alleviated supply constraints before it was phased out
- 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, as well as the production of green energy.

Thank you!

