

**UNCTAD GLOBAL COMMODITIES FORUM
13-14 April 2015**

**End of Commodity Super-Cycle?
Introduction**

By

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Global Commodities Forum 2015

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End of commodity super-cycle ?

Introduction

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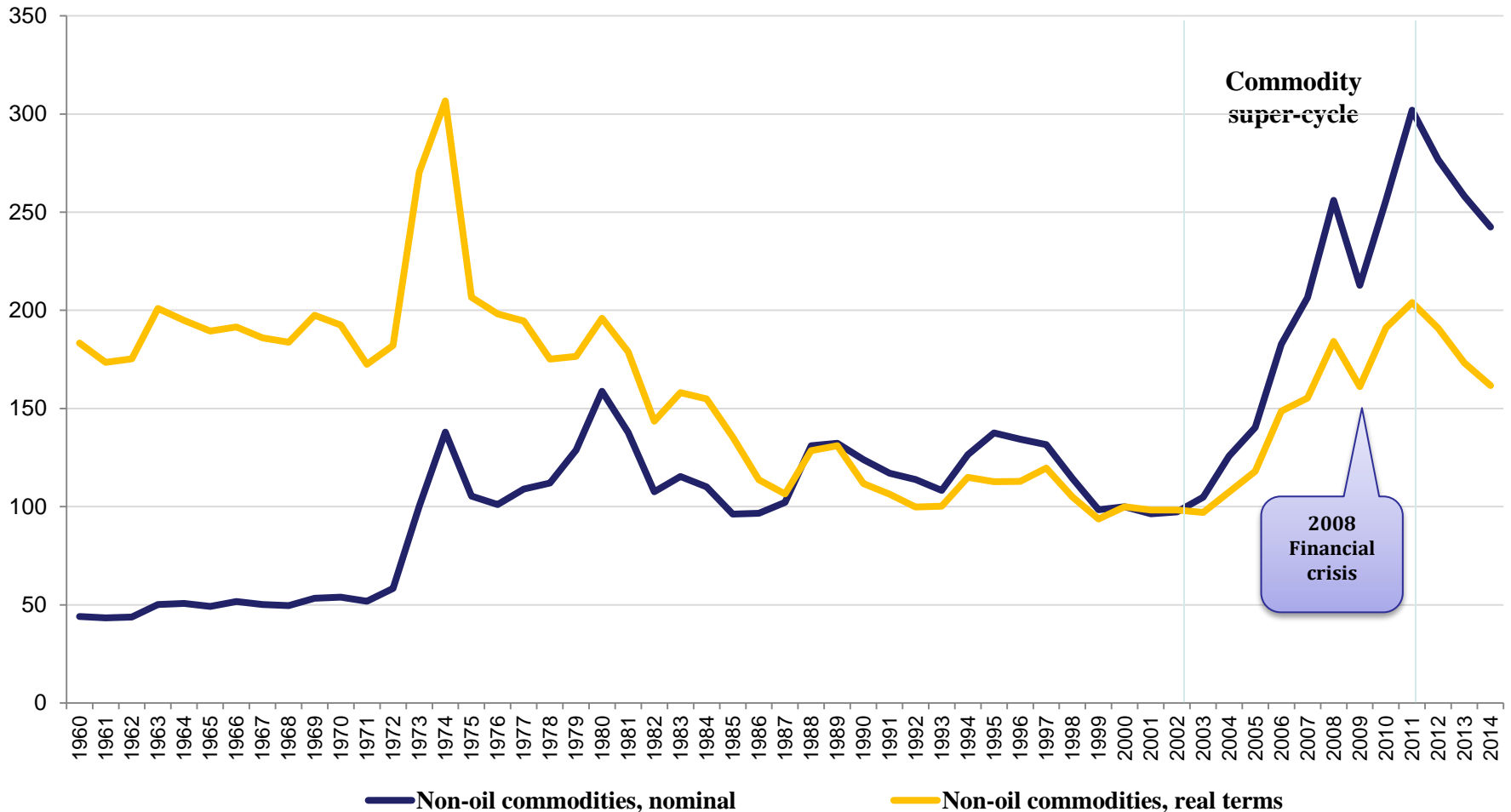
Outline

- **Long term trends in global commodity markets**
- **Main drivers of commodity prices over the last years**
- **Prospects in global commodity markets**
- **Concluding remarks**



Historical trends in commodity prices

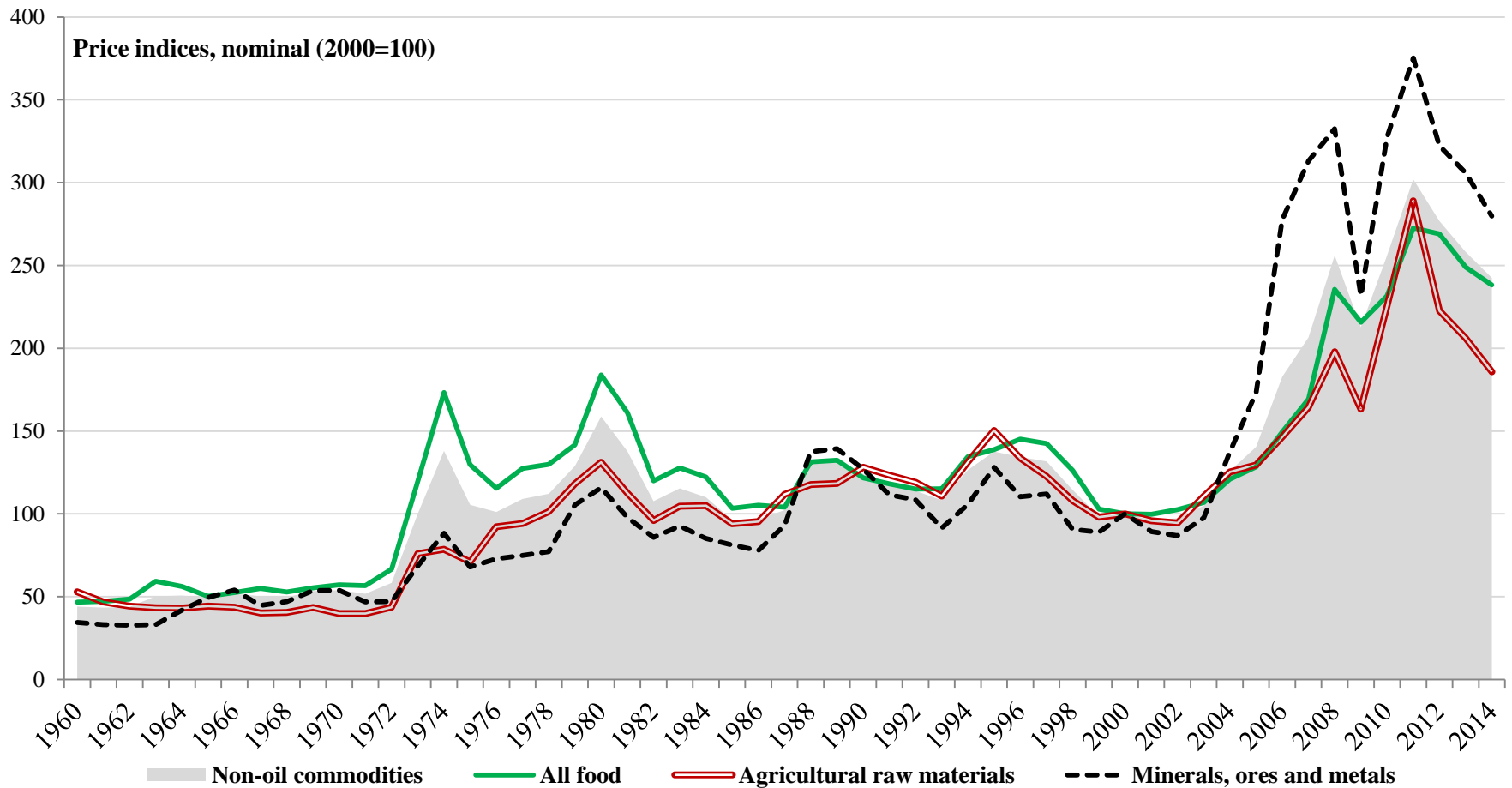
- **Global commodity markets : succession of boom and busts since 70s**
- **2003-2011 : longest and broadest boom (commodity super-cycle)**



Price indices of selected groups of commodities:

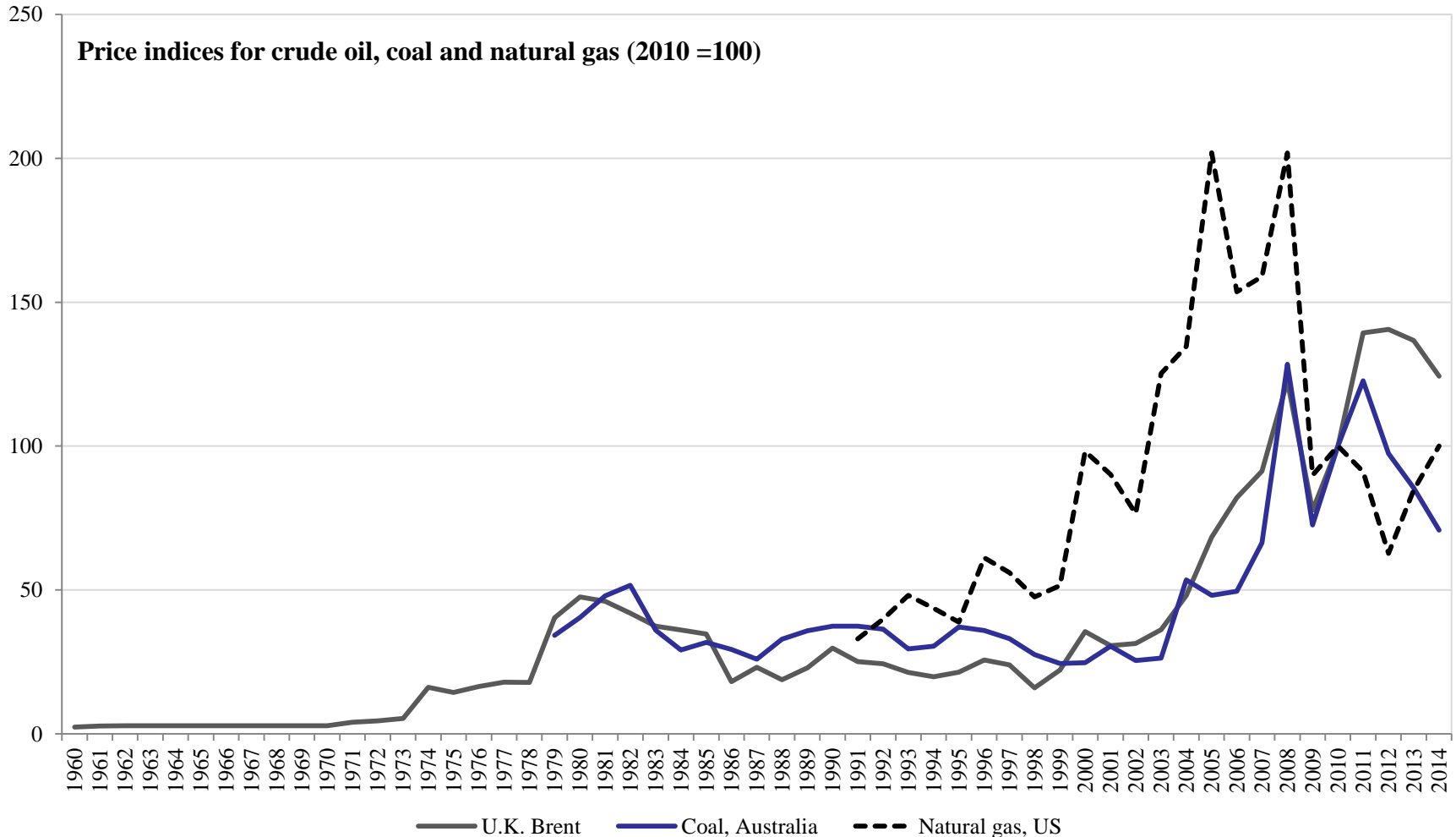
Agricultural products and Minerals, ores and metals

- **2003-2011 : broad-based commodity cycle**
- **From 2011 : prices are declining but remain high compared to long term trends**



Price indices of selected groups of commodities

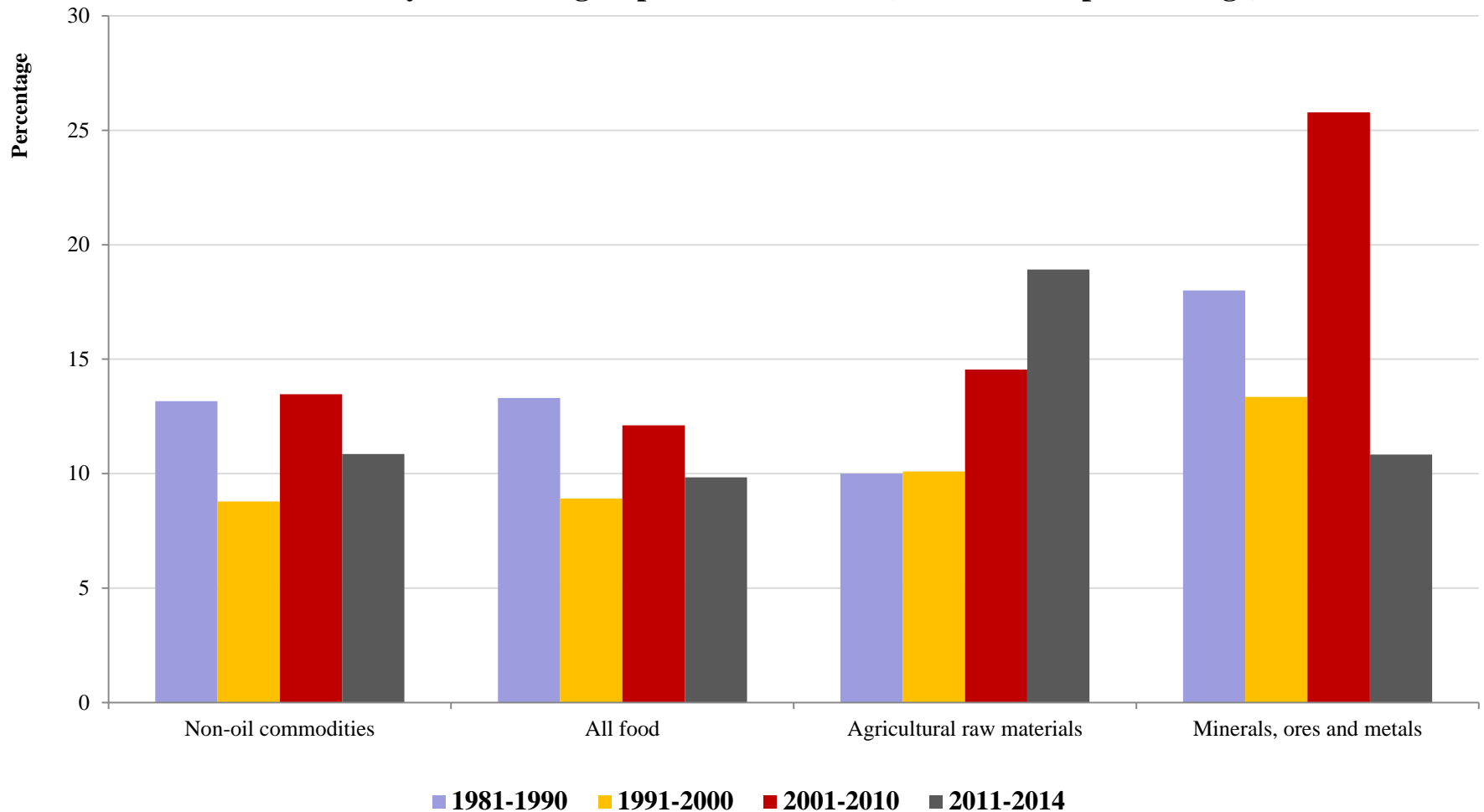
energy markets



Source : Data from IMF, IFS

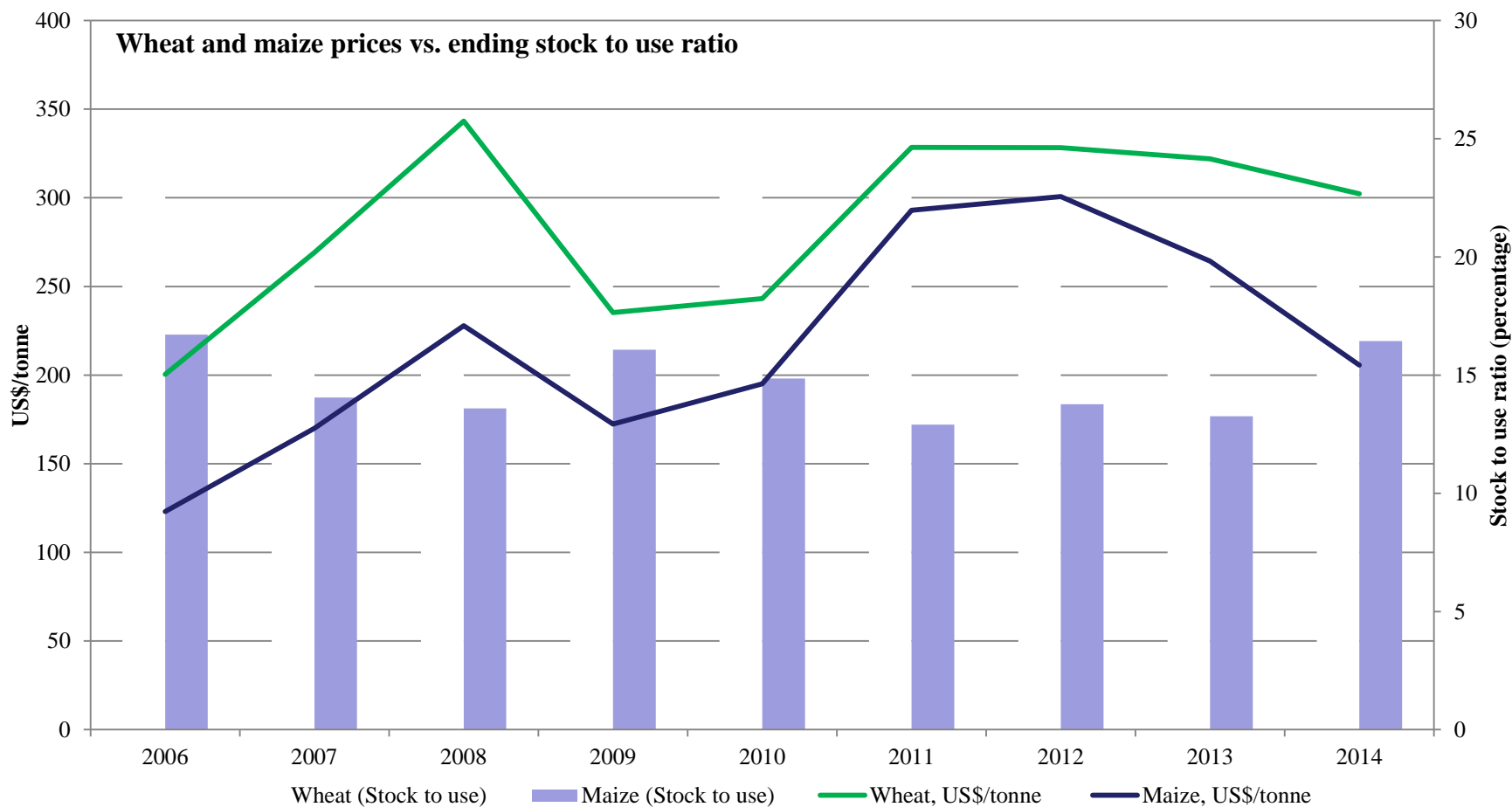
...Cycle with heightened volatility

Price volatility of selected groups of commodities (s.d. of annual price change)



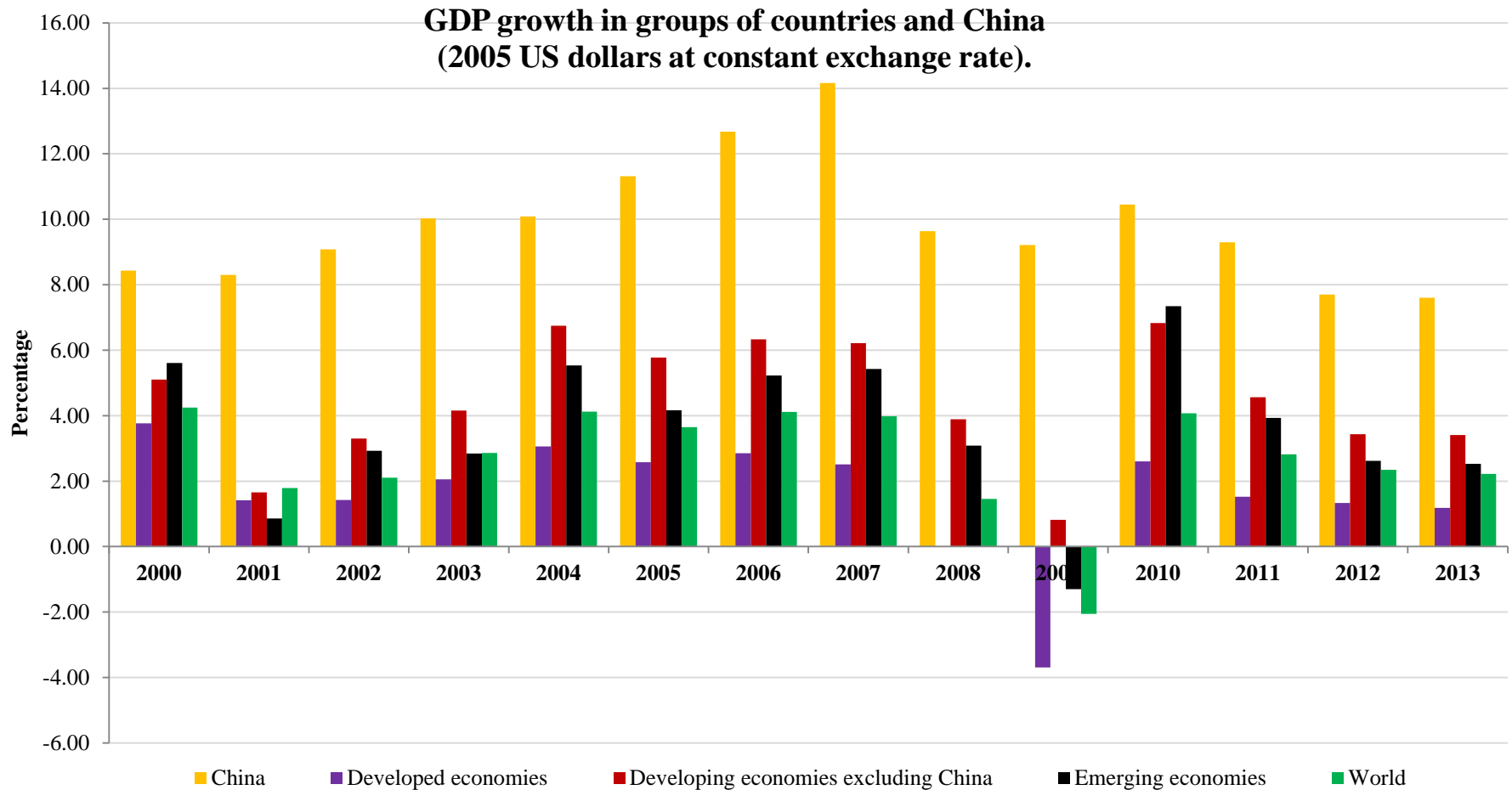
Main drivers of commodities prices over the past years

- **Market fundamentals : supply and demand**



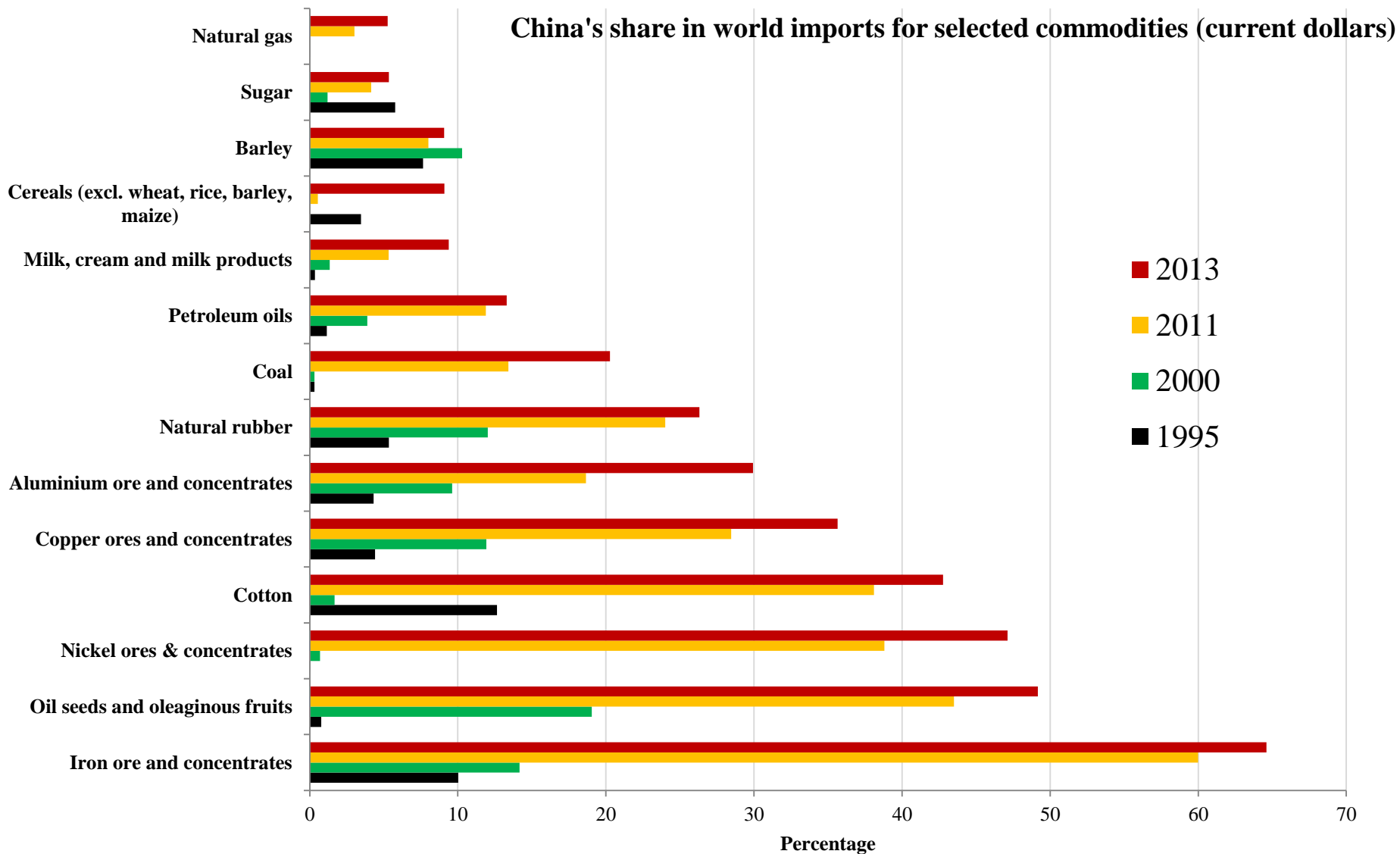
Main drivers of commodities prices over the past years

- **Global economic factors**
- **Growth led primarily by developing and emerging economies, especially China**



Main drivers of commodities prices over the past years

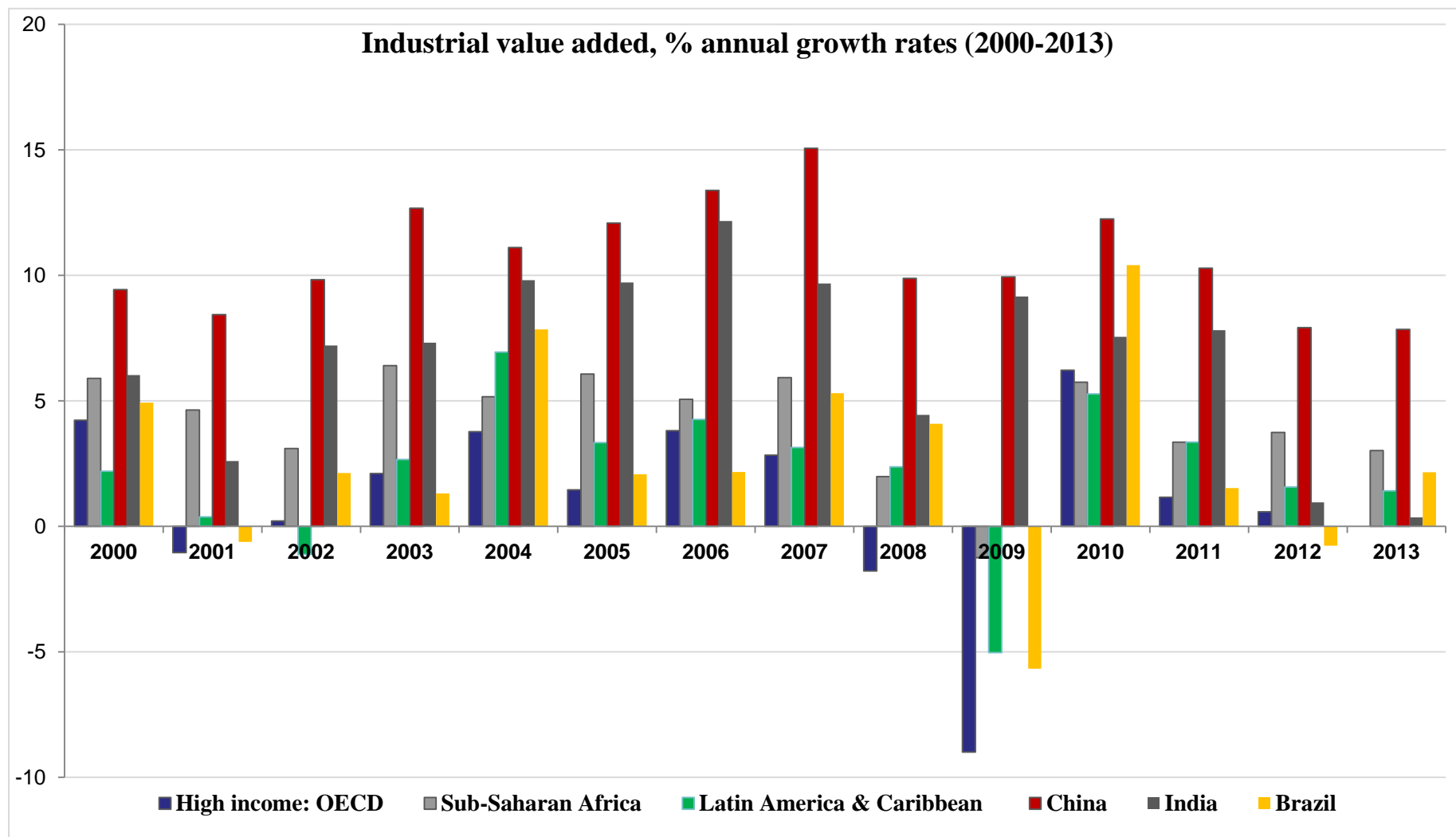
China, leading importer in global commodity markets



Source :Data from UNCTADStat

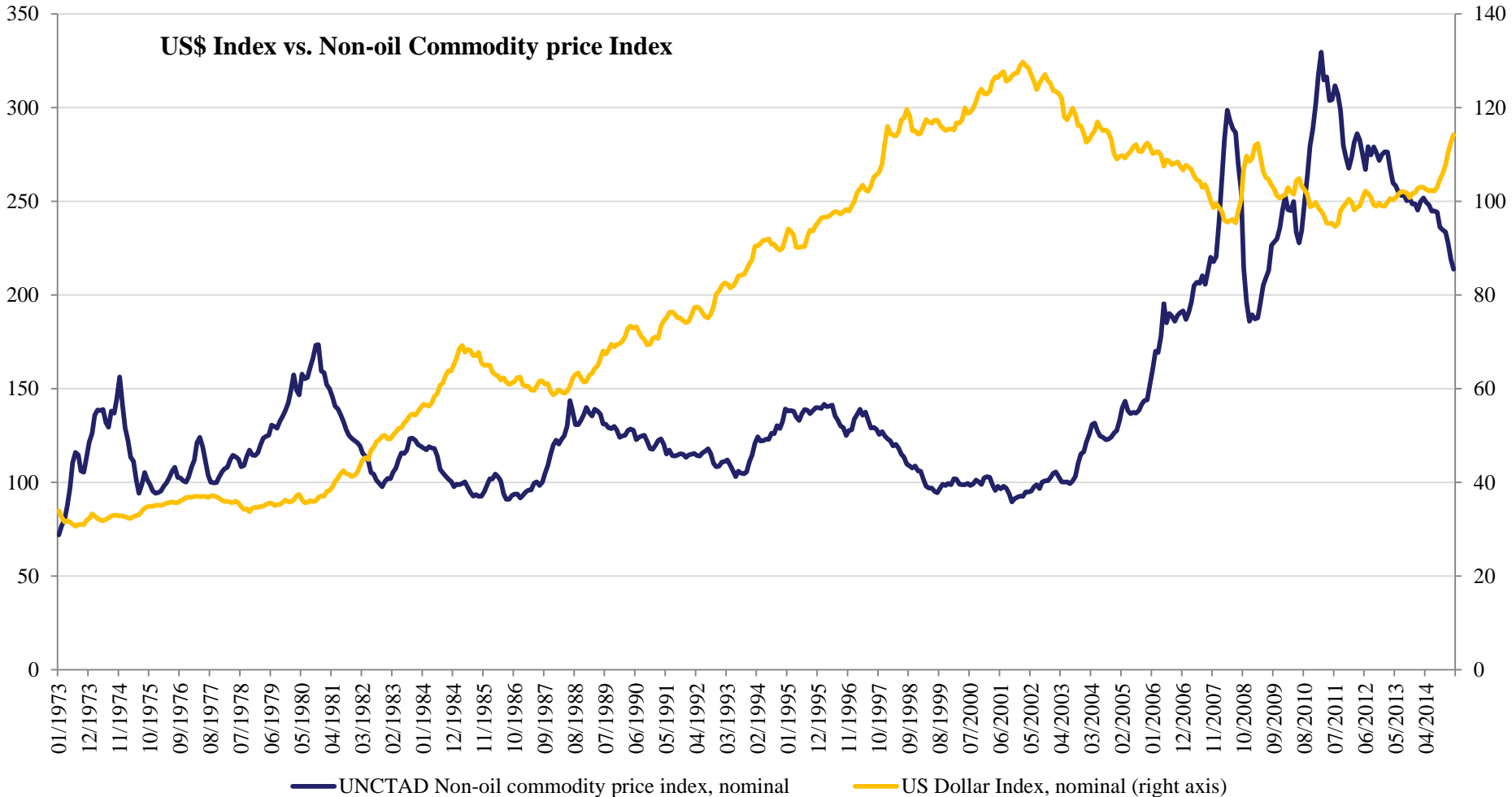
Main drivers of commodities prices over the past years

Global industrial production



Main drivers of commodities prices over the past years

US dollar exchange rate and monetary policy



Main drivers of commodities prices over the past years

Other factors

- **Macroeconomic policies in developed economies**
 - **Expansionary policies**
- **Financialization of commodity markets**
 - **Also underpinned volatility in the markets**
- **Energy prices transmitted to agricultural commodity and metals markets**
- **Exogenous shocks**
 - **Weather patterns**
 - **Environmental concerns**
 - **Trade policies (quota, exports ban)**

Prospects in commodity markets (?)

Agricultural commodity markets

Downside risk factors

- Comfortable stocks helped by good crop conditions
- Monetary policies in US (strong US dollar, increase in interest rate following the end of US stimulus plan)
- Slower global economic growth
- Low energy prices

Upside risk factors

- Recovery in the US economy
- Increased demand from emerging economies
- Adverse weather patterns

Prospects in commodity markets (?)

Minerals, ores and metals

Downside risk factors

- Gloomy economic prospects of industrialized economies (esp. the Euro zone)
- Slower growth in emerging economies, esp. China
- Economic restructuring in China away from investment to consumption (downside risk for iron ores and copper prices)
- Strong US dollar, high interest rate (end of US stimulus plan)
- Low energy prices

Upside risk factors

- Recovery in the US economy
- Demand led by emerging economies such as India
- Export restrictions
- Economic restructuring in China away from I to C (upward pressure on zinc, aluminium, tin, lead prices)

Prospects in commodity markets

Energy

Downside risk factors;

- Gloomy economic prospects in industrialized economies;
- Slower growth in emerging economies, esp. China
- Good supply of conventional and non-conventional oil
- Strong US dollar

Upside risk factors

- Recovery in the US economy;
- Geopolitical tension disrupting oil production
- Rebound in oil demand (?)
- Production disruption from OPEC and Non-OPEC countries (?)
- Slowing of shale production

Concluding remarks

- **Forecasting price trends in commodity markets: a challenge!**
- **Commodity prices have been easing but remain relatively high compared to their pre-2003 levels**
- **From short to medium run, much factors are likely to be downside risks in global commodity markets:**
 - **Oversupply**
 - **Gloomy global economic growth**
 - **Low energy prices**

Concluding remarks (ctnd)

- **Then, commodity prices are most likely to moderate further in coming months (short term)**
- **Declining prices have adverse effects on the terms of trade and macroeconomic performance of CDDCs**
- **From medium to long term... high uncertainty : balance or imbalances between downside/upside risks factors**
- **Long term policies in CDDCs should therefore prioritize economic diversification to face the uncertainty**

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