

**Seventh Multi-year Expert Meeting on
Commodities and Development**
15-16 April 2015
Geneva

Recent developments in global commodity markets
By

Samuel Gayi
Head, Special Unit on Commodities, UNCTAD

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



Multi-Year Expert Meeting on Commodities and Development, 7th session

Recent developments in global commodity markets

Samuel K. Gayi

Head, Special Unit on Commodities

samuel.gayi@unctad.org

Geneva, 15 April 2015

CONTENT

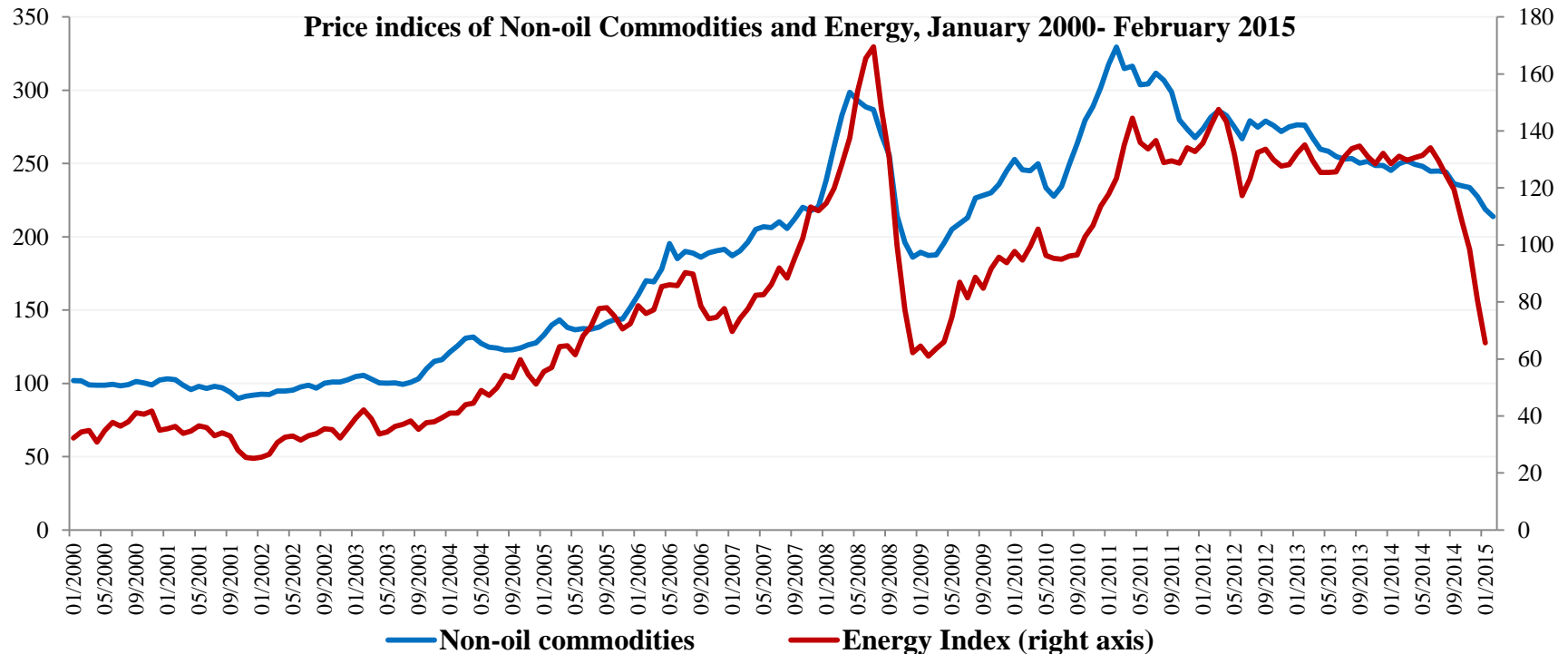
Recent trends in commodity markets

- General overview
- Agricultural commodity markets
- Minerals, ores and metals markets
- Energy commodities
- Renewable Energy
- Key messages
- Way forward: some policy options



Recent trends in global commodity markets

- Lacklustre economic conditions and oversupply kept prices down
- Non-oil commodities: prices decline from 2011 but remain elevated
- Energy prices: significant drop from June 2014



Source : Data from UNCTADStat (Non-oil Commodities) and IMF (Energy)

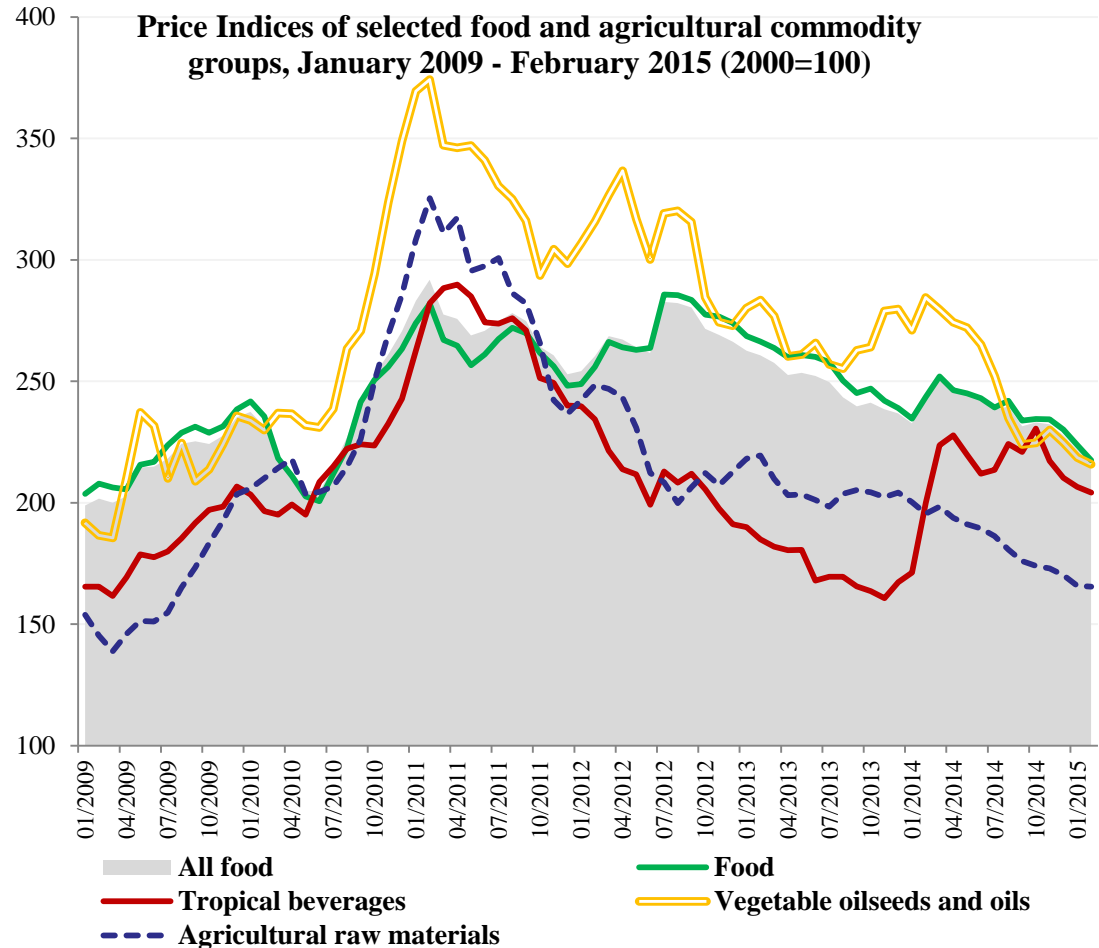
Notes : Indices of Non-oil Commodities (2000=100), Energy (2010=100)

Agricultural commodity markets

- 2014-15: General downward trend of prices with short-term fluctuations

Exception: prices of beverages (coffee and cocoa) : strong in 2014 but weakening from early 2015

- Main drivers of falling prices :
 - over supply;
 - slowing global economic growth;
 - strong US dollar.

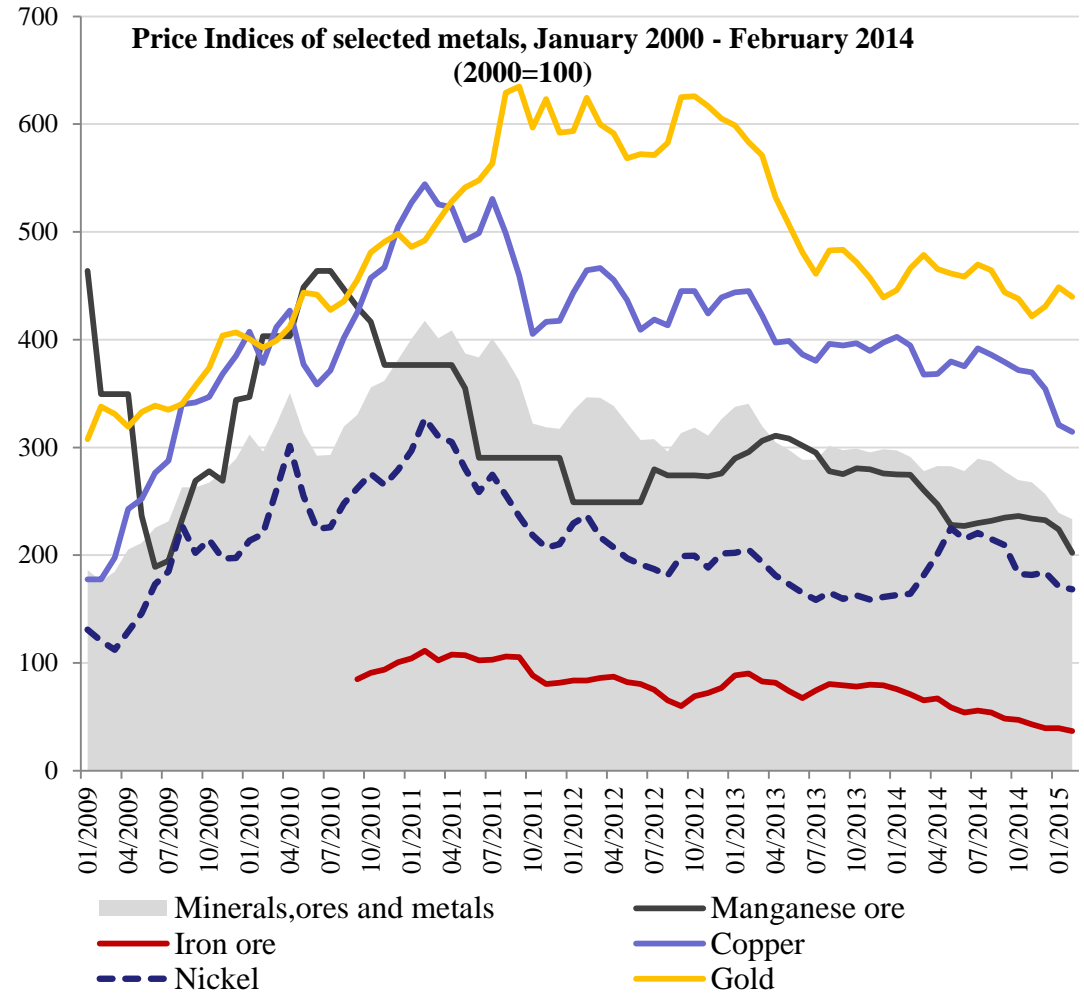


Source : Data from UNCTADStat



Minerals, ores and metals markets (MOM)

- General downward trend of prices with short-term fluctuations
- Main drivers:
 - Slowing economic growth in industrialized economies;
 - over supply - *Iron ore, Copper, Manganese*;
 - Indonesian ban (Jan 2014); high stocks & increased exports (*Nickel*)
 - US econ. growth/Strong US dollar (*Gold*).



Source : Data from UNCTADStat

Energy markets

- Downward trends:

- Significant drop over June 2014-January 2015

Energy index: - 51 %

Oil : - 56 %

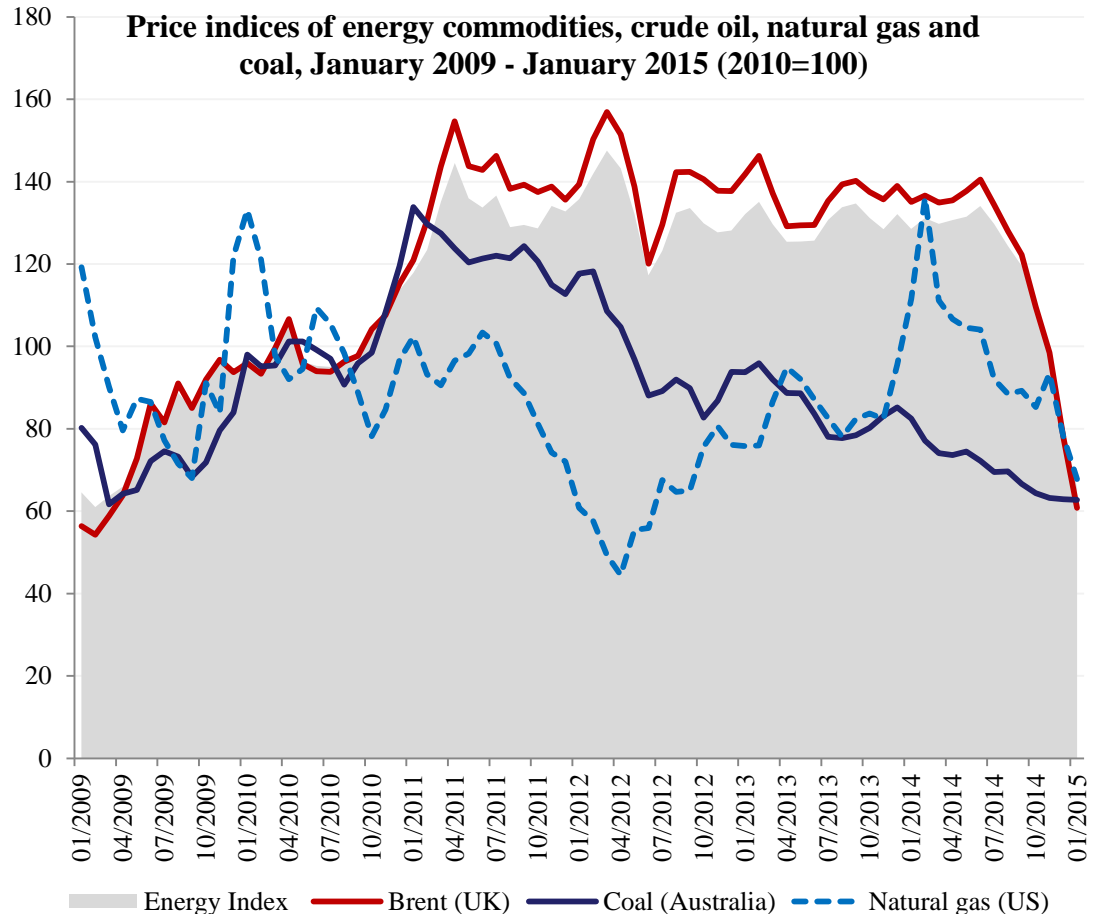
NG: - 35%

Coal:- 13%

- Main drivers:


- Oversupply (conventional and non-conventional oil)
- Slower demand from emerging economies
- Gloomy global economic growth
- Strong US dollar

Source :

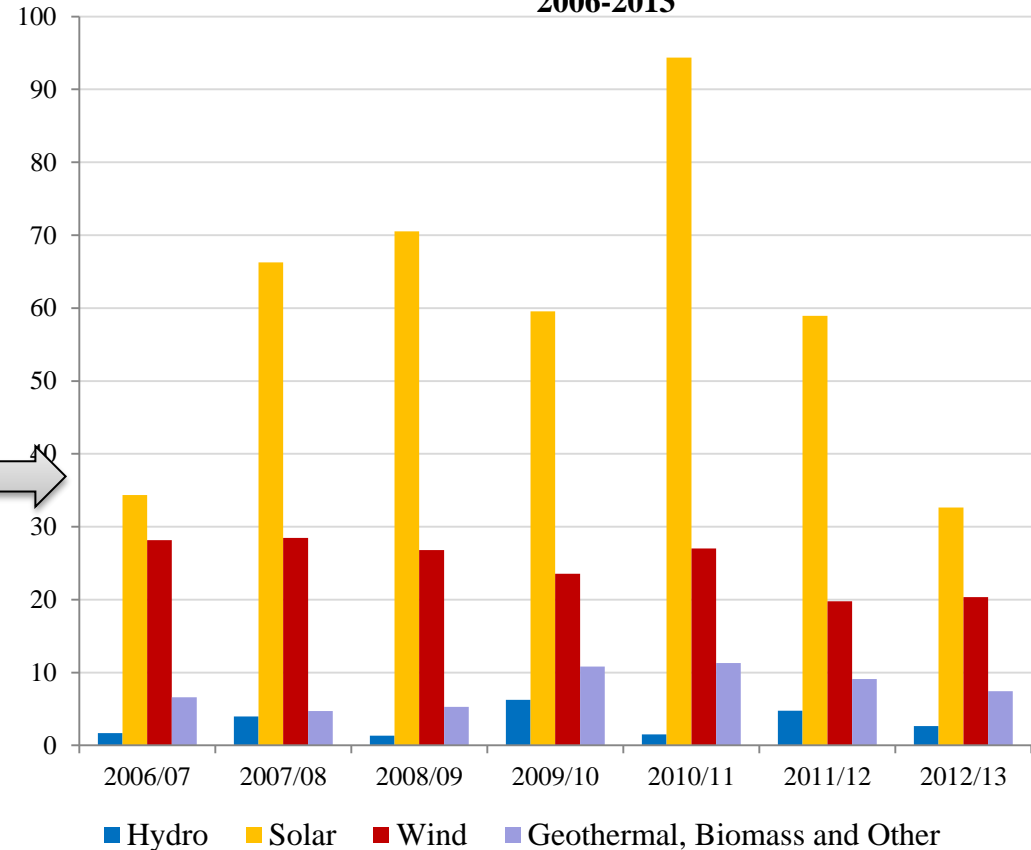


Source: Data from International Monetary Fund, International Financial Statistics
 Note: The IMF Energy Index covers crude oil (petroleum), natural gas, and coal

Renewable energy (REN)

- REN in final global energy consumption:
17 % in 2011 - 19 % in 2012
- REN in global Electricity production
22 % in 2013 - 17 % in 2012
- Increased use of non-hydro REN albeit at slower pace from 2011. 
- Main drivers of REN use :
 - Declining use of more polluting fossil fuels;
 - Falling costs of renewable energy technologies,
 - Government incentives.

Renewable energy consumption, annual growth rate (%)
2006-2013



Source : Data from BP Statistical Review of World Energy 2014

.... Outlook of renewable energy (?) :
uncertain within a context of current low energy prices



Key messages

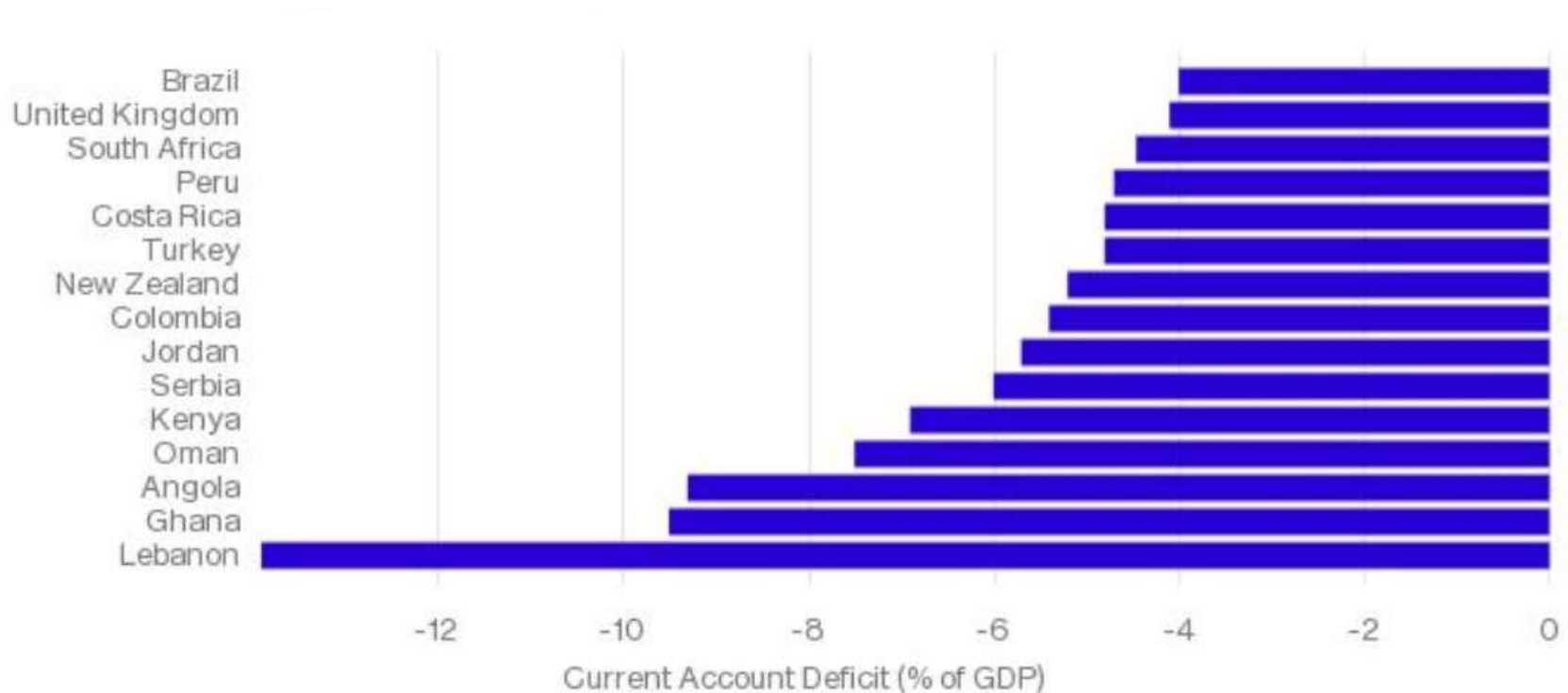
- From agricultural to minerals and metals to energy markets, prices have been declining over the past few years;
- Main drivers are market imbalances;
- Non-oil commodities prices remain elevated compared to their long term trends, particularly prior to 2003;
- Future of renewable energy? Challenges within the current context of low energy (fossil fuels) prices



Way forward: some policy options

Falling commodity prices : Huge challenge for CDDCs -

Current account deficit forecast for selected countries as a result of low commodity prices



Source : Bloomberg, The 15 Biggest Losers in Global Trade
<http://www.bloomberg.com/news/articles/2015-03-24/the-15-biggest-losers-in-global-trade>

Way forward: some policy options

- Support producers to cope with falling prices in agricultural commodity markets:
 - Reduce production costs
 - Compensatory policies for vulnerable farmers
- Promoting economic diversification as medium and long term policy remains crucial for most CDDCs producing MOM and fossil fuels to reduce their vulnerability to global commodity markets
- Continue to promote renewable energy globally despite low prices of fossil fuels for a sustainable development



THANK YOU

UNCTAD

PROSPERITY FOR ALL

www.unctad.org



UNITED NATIONS
UNCTAD