# Executive Summary

*Commodity prices are set to fall sharply this year, by about 12 percent overall, as weakening global economic growth weighs on demand. Next year, commodity prices are projected to decline by another 5 percent, reaching a six-year low. Oil prices are expected to exert substantial downward pressure on the aggregate commodity index in 2025, as a marked slowdown in global oil consumption coincides with expanding supply. The anticipated commodity price softening is broad-based, however, with more than half of the commodities in the forecast set to decrease this year, many by more than 10 percent. The latest shocks to hit commodity markets extend a so far tumultuous decade, marked by the highest level of commodity price volatility in at least half a century. Between 2020 and 2024, commodity price swings were frequent and sharp, with knock-on consequences for economic activity and inflation. In the next two years, commodity prices are expected to put downward pressure on global inflation. Risks to the commodity price projections are tilted to the downside. A sharper-than-expected slowdown in global growth—driven by worsening trade relations or a prolonged tightening of financial conditions—could further depress commodity demand, especially for industrial products. In addition, if OPEC+ fully unwinds its voluntary supply cuts, oil production will far exceed projected consumption. There are also important upside risks to commodity prices. Economic growth prospects could improve if trade barriers are rolled back in a lasting manner, leading to stronger commodity demand and higher prices. Commodity prices could otherwise rise if geopolitical tensions worsen, threatening oil and gas supplies, or if extreme weather events lead to agricultural and energy price spikes.*

## The state of commodity markets

Industrial commodity prices have plunged in recent weeks, reflecting mounting concerns about the outlook for global economic growth following a sharp increase in global trade tensions. The speed of commodity price declines in early April was striking, ending a period of several months of relatively stable prices (figures 1.A and 1.B). Between April 2 and April 8, the price of Brent crude oil declined by a little more than $12 per barrel—the 11th-worst four-day price performance since 1990. Although the fall in oil prices followed immediately from the announcement of large new tariffs, it also coincided with news of a sizable expansion of oil production by OPEC+. In the same period, copper prices dropped by 11 percent. Since then, the Brent oil price has fluctuated in the mid-sixties U.S. dollars per barrel, while copper prices have been more volatile against a backdrop of shifting trade policy announcements and expectations.

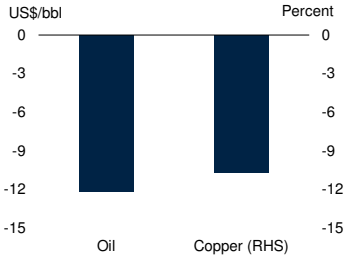
From a medium-term perspective, the current large shock is just the latest to rock commodity markets in a remarkably turbulent decade so far—one that has been characterized by the highest degree of overall commodity price volatility on record (figure 1.C). Some of the shocks that have hit since 2020—the global recession caused by the COVID-19 pandemic and the swift subsequent recovery—affected commodity markets mainly via their impacts on global demand and activity. Other shocks with geopolitical origins—the Russian Federation's invasion of Ukraine, and the eruption of conflict in the Middle East—roiled commodity markets primarily due to their actual and potential implications for commodity trade and production. In addition, markets for several commodities—for example coffee, cocoa, and natural gas—have been buffeted by supply shortfalls or demand surges linked to extreme weather. Geopolitical and economic policy uncertainty has also led to a surge in gold and silver prices due to safe-haven demand. This sequence of past shocks gave rise to cycles in individual commodity prices during 2020–24 that were shorter in duration and marked by sharper price surges than was typical in earlier periods since the 1970s (figure 1.D; see Special Focus).

It remains to be seen whether this pattern of shorter, sharper cycles continues, marking the beginning of a structurally more turbulent era for commodity markets. Such an outcome is distinctly possible, given the confluence of a range

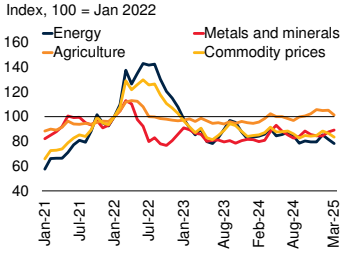
## FIGURE 1 State of commodity markets

*Commodity prices plunged in early April, as global trade tensions rapidly intensified, ending a period of relatively stable prices. This latest shock extends a remarkably volatile period for commodity markets since 2020, marking the highest decadal level of commodity price volatility in at least half a century. During this period, price booms for individual commodities have been larger than historical norms, and price slumps have been smaller. Yet, both booms and slumps have been shorter. With measures of economic and trade policy uncertainty reaching record highs this year, the risk of future commodity market disruptions is elevated. In addition, the warming climate represents another source of potential commodity market shocks.*

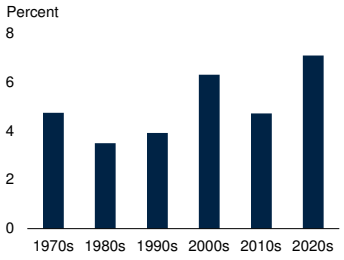
**A. Four-day commodity price changes in early April 2025**



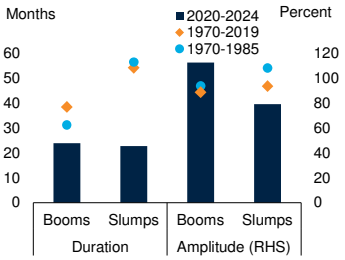

**B. Commodity prices**



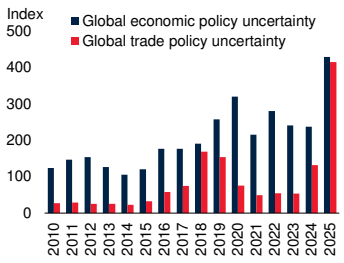

**C. Decadal volatility of commodity price movements**



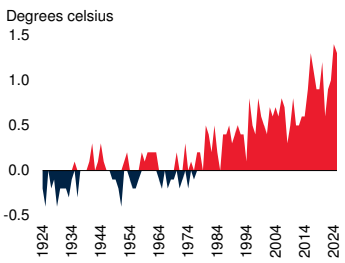

**D. Amplitude and duration of phases of commodity price cycles**




**E. Global economic and trade policy uncertainty**




**F. July temperature anomaly relative to the 1901-2000 average**




*Sources*: Bloomberg; Caldara et al. (2019); NOAA National Centers for Environmental information; World Bank.

A. Bars show price change in Brent crude oil and copper prices in the four trading days between April 2 and April 8, 2025.

B. Monthly prices. Last observation is March 2025.

C. Volatility of composite commodity index by decades, measured as standard deviation of monthly price changes.

D. Phases are assigned to the period in which they commence. Average duration (in months) and amplitude (in log differences) of completed phases for the indicated periods. See Special Focus chapter for methodological details.

E. The Global Trade Policy Uncertainty (TPU) Index tracks the frequency of trade-related news articles mentioning uncertainty across major economies, with higher values signaling greater global uncertainty. The GEPU Index is a GDP-weighted average of Economic Policy Uncertainty (EPU) indexes for 21 countries, where each national EPU index measures the monthly frequency of domestic newspaper articles discussing economic policy uncertainty.

F. Temperature anomaly measures the difference between the preceding 12-month average global land and ocean temperature for each month and the long-term average temperature (1901- 2000). Last observation is January 2025.

of disruptive factors. In the near term, prospects for global economic growth are waning, partly owing to acute uncertainty about trade and broader economic policies (figure 1.E). At the same time, global oil markets may be heading for a period of excess supply, with OPEC+ holding elevated spare capacity and starting to unwind production cuts while the oil intensity of economic output—that is, the amount of oil consumed per unit of economic output—continues its long-term decline. Geopolitical tensions and the incidence of armed conflict—including in key commodity-supplying regions—also remain elevated, threatening supply disruptions. And, with global average temperatures rising, an increased prevalence of weather-related shocks is likely (figure 1.F). Against this backdrop, the risk of structurally greater commodity price volatility is clear.

## Commodity price volatility and shifting commodity trade patterns ahead

Turmoil in commodity and financial markets in April principally reflects the emerging consensus that adverse trade policy shifts and pronounced uncertainty will substantially weaken global economic growth. In addition, although many recently announced tariffs exclude trade in many industrial commodities, some do not, and agricultural commodities have generally not been exempted. The latest surge in trade-restrictive policy measures affecting commodity markets continues a recent trend. Over 2022-24, the number of new restrictions implemented on trade in energy, metals, and food commodities was more than ten times the corresponding number in the three years before the COVID-19 pandemic (figure 2.A). The potential effects on commodity markets of proliferating trade tensions fall into two broad categories:

- *Broad aggregate effects* relate to the general decline in commodity consumption that follows from slowing economic growth, especially affecting industrial commodities.
- *Specific disaggregate effects* concern the price and quantity effects of restrictions and tariffs

applying directly to trade in particular commodities.

Although the baseline commodity price forecasts assume a significant slowdown in global economic growth, the precise magnitudes of the hit to growth from recent policy shifts, and the concomitant aggregate effects on commodity markets, remain highly uncertain. Much depends on the length of time that recently enacted trade measures stay in place, whether trading partners engage in further retaliation or escalatory actions, and the duration of the current spell of acute policy uncertainty. If trade tensions escalate or uncertainty deepens further, overall commodity demand is likely to be even weaker, and prices lower (see Risks section for further discussion). Historically, since 1990, quarters with negative per capita global economic growth have been followed by an average drawdown in the World Bank's commodity index of close to 25 percent within nine months (figure 2.B).

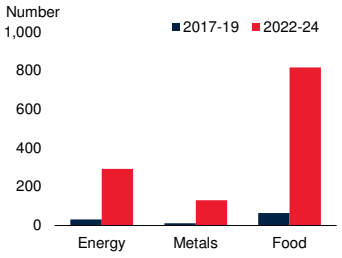
The disaggregate effects of trade barriers affecting specific commodities are necessarily heterogeneous. Commodity markets are highly integrated globally. If imports subject to new tariffs can be easily substituted with domestic resources or imports from non-tariffed sources through changes in trade patterns, then the overall impact on prices may be small and transitory. In cases where commodity trade is diversified and transport from alternative destinations is not prohibitively expensive, commodity trade flows are likely to be heavily rerouted, with minimal changes in global supply and demand, all else being equal. In such instances, the adoption of less-than-optimal trading arrangements implies reduced efficiency and higher economic costs, but these effects may be relatively small and diffuse.

In other cases, partial trade diversion may occur, dampening but not eliminating the effects of commodity-specific tariffs on prices. This is more probable when flows of a particular commodity between affected countries are large relative to global trade in that commodity. It is then more challenging for producers subject to tariffs to find alternative buyers rapidly, and for consumers to find suppliers other than those subject to tariffs.

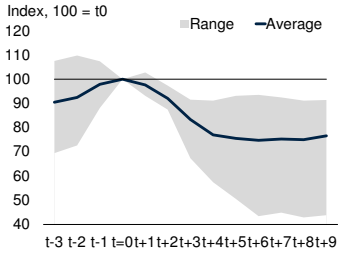
## FIGURE 2 Trade tensions and commodity markets

*The number of new restrictive measures impacting commodity trade has surged in recent years. Nevertheless, the dominant factor shaping the commodity outlook is a potentially abrupt weakening of global economic growth, which typically results in sharp commodity price declines. Rising commodity-specific trade measures can stoke market disruptions of various kinds—for example, if tariffs are imposed on trade between large producers and consumers relative to global totals. A steepening premium for U.S. aluminum earlier this year signaled another source of volatility related to trade tensions, as buyers rushed to secure aluminum supplies prior to the imposition of tariffs.*

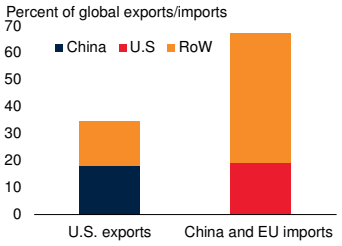
**A. New restrictive measures affecting commodities trade**



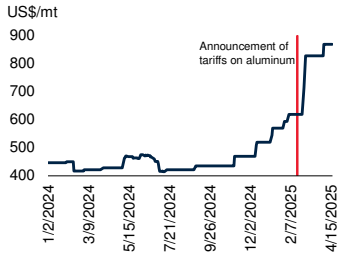

**B. Change in commodity prices after quarters with negative per capita global growth, 1990-2025**




**C. Trade in soybeans**




**D. Premium for aluminum in the United States, relative to global price**




*Sources*: Bloomberg; Global Trade Alert (database); WITS (Comtrade); World Bank.
*Note*: RoW = rest of the world.
A. Number of new restrictive measures affecting each commodity group: energy (oil, coal, and natural gas), metals (aluminum, copper, nickel, lead, zinc, tin, cobalt, and iron ore) and food (barley, maize, wheat, and rice). Data as of March 21, 2025.
B. Dating of quarters with negative per capita global growth is based on Kose, Sugawara, and Terrones (2020). t = 0 is the month preceding a quarter when per capita global growth was negative. Blue line represents the average value for the World Bank Commodity index around each period, indexed to 100 at t = 0. Range represents the maximum and minimum monthly values from t-3 to t+9.
C. Composition of U.S. exports and China and EU imports for soybeans, based on the average of 2022-23 data.
D. Futures contract for May 2025 for Aluminum Midwest premium. Last observation is April 16, 2025.

Some U.S. agricultural products could fall into this category. China's recently increased tariffs on U.S. exports have lowered demand for U.S. crops while raising demand for those from other exporters. For soybeans, China's role as a major consumer—including of U.S. soybean exports—has put notable upward pressure on the prices of alternative suppliers, which, at least in the short term, will be unable to expand production to fully

meet import demand previously served by the United States (figure 2.C).[1]

Finally, there are instances when mitigating tariff effects through trade redirection is not feasible—for example, if levies cover imports from all trading partners. This is currently the case for the 25 percent tariffs on U.S. aluminum and steel imports implemented in March. In the case of aluminum, the short-term effect of the tariff announcement was to push global prices higher as U.S. buyers sought to build inventories before the tariffs came into effect—as evident in a steepening premium for U.S. aluminum relative to global aluminum prices (figure 2.D). More generally, however, demand for base metals is highly sensitive to prospects for global industrial activity, such that benchmark prices dropped precipitously in early April.

Until the outlook for economic growth becomes clearer, the chances of disruptions to commodity markets will remain elevated. Accordingly, while the commodity price projections reflect the central outlook for global supply and demand, the uncertainty surrounding these forecasts is higher than usual.

# Outlook

Commodity prices are forecast to fall by 12 percent in 2025 (y/y) and by a further 5 percent in 2026 (figure 3.A). If realized, these declines will end a period of elevated inflation-adjusted commodity prices in the aftermath of the COVID-19 pandemic and Russia's invasion of Ukraine. While nominal commodity prices would remain 17 percent higher than their 2015-19 average in 2026, inflation-adjusted prices would likely be slightly below the average of that period. Commodity price declines are expected to be broad-based. These projections reflect the emerging consensus that global economic growth will slow significantly this year, combined with gradually increasing commodity supplies and ample spare oil production capacity.

## Energy prices

The energy price index is expected to fall by 17 percent in 2025 (y/y) and a further 6 percent in 2026. These projections assume that there are no protracted trade disruptions in energy commodities. In addition, a substantial share of the voluntary 2.2 mb/d of OPEC+ production cuts agreed in late 2023 is assumed to remain in place throughout 2025, despite the organization recently announcing a significant production increase. This reflects a judgment that the trade-off OPEC+ will face between maintaining market share and accepting a lower oil price will prove more exacting than implied by OPEC+ oil consumption forecasts. In this context, the Brent crude oil price is projected to average $64 per barrel ($/bbl) in 2025—a fall of $17/bbl from last year—and $60/bbl in 2026 (figure 3.B).[2]

Global oil supply is expected to expand by about 1.2 mb/d in 2025, slightly exceeding 104 mb/d in total. The anticipated supply growth is composed of relatively small increments across multiple producers. OPEC+ oil output (excluding Brazil) is projected to increase by about 0.3 mb/d overall in 2025. Meanwhile, U.S. oil supply growth is set to slow markedly from the 0.7 mb/d added last year, with the price of the WTI benchmark likely to be generally below profitable levels for new drilling projects (figure 3.C). Elsewhere, Brazil, Canada, and Guyana are expected to add a collective 0.4 mb/d to global supply in 2025, with several smaller producers also raising oil output.

Oil consumption is forecast to rise by only 0.7 mb/d in 2025, close to half of the average annual increase in 2015-19, resulting in an oil surplus of about 0.7 mb/d. The main cause of weak oil demand growth this year is slowing economic growth, but there are also secular drivers underlying a longer-term deceleration in global oil demand, including declining potential global GDP growth and the continued decrease in the oil intensity of global economic activity. The latter

[1] The World Bank commodity price index uses U.S. benchmark prices for several agricultural commodities, including maize and soybean. In the case of tariffs imposed on imports from the United States, this may lead the index to understate prices relative to true global averages in the near term.

[2] The forecast implies that the price of Brent oil will average a little more than $60/bbl over the latter three quarters of 2025. Projections from forecasters other than the World Bank depicted in figure 3.B are from March and early April.

trend is now partly driven by the increasing adoption of electric vehicles. In China, the world's largest auto market, more than 40 percent of new cars purchased in 2024 are estimated to have been battery-powered or hybrid vehicles—almost three times the share in 2021 (figure 3.D).

The World Bank natural gas price index is set to post a notable increase this year, partly reflecting spiking prices in 2025Q1, and to decline somewhat in 2026. Projected price changes vary across the main benchmarks. U.S. natural gas prices are expected to surge by 51 percent in 2025 and rise a further 3 percent in 2026. In contrast, the European benchmark is forecast to post a 6 percent increase this year and a 9 percent decrease next year. These disparate movements reflect the strengthening linkages between different markets for natural gas as the importance of LNG exports increases. Thus, the steep projected rise in U.S. gas prices partly closes the large price gap between benchmarks in the United States and elsewhere. Coal prices are envisaged to decline by 27 percent in 2025, then soften modestly in 2026. Global coal consumption is expected to pick up slightly this year, driven by power generation in emerging market and developing economies (EMDEs), although the market share of coal power plants continues to shrink as renewables gain ground.

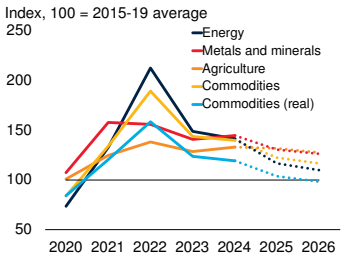
## Metal prices

Metals and minerals prices are projected to decline by 10 percent in 2025 (y/y) and 3 percent in 2026, despite increases in several base metals' prices in 2025Q1 (q/q). The main factor putting downward pressure on metals prices is the anticipated slowdown in global economic growth, although supply is also expected to steadily expand for several metals. Among base metals, only tin is set to post modestly higher prices in the next two years, owing to tightening supply conditions amid a limited pipeline of mining projects (figure 3.E). Other base metals are set for generally sizable price declines, reflecting anticipated weakness in global manufacturing and broader industrial activity. Iron ore prices are forecast to underperform those of other metals, falling by 13 percent this year and 7 percent in 2026. Major iron ore producers are

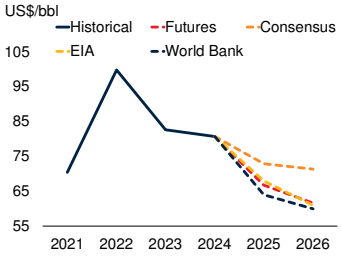
## FIGURE 3 Outlook

*Amid a global economic slowdown and escalating trade tensions, overall commodity prices are projected to decline sharply in 2025 and soften further in 2026, led by oil prices. Growth of shale oil production is anticipated to slow significantly this year, given that the WTI benchmark is expected to be below profitable levels for most new drilling. In addition to the effects of weakening economic growth, decelerating global oil demand reflects technological changes that tend to reduce the oil intensity of output, a key example being the growing adoption of electric vehicles. Prices for most base metals, which are typically sensitive to global industrial activity, are forecast to decrease considerably over the next two years. Although food and raw materials commodity prices are expected to soften this year, the anticipated decline in overall agricultural prices is modest due to a sharp projected increase in beverage prices.*

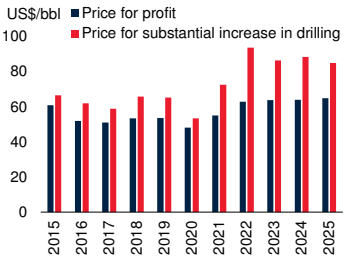
**A. Commodity price forecasts**



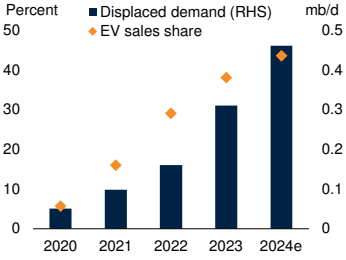

**B. Oil price forecast comparisons**



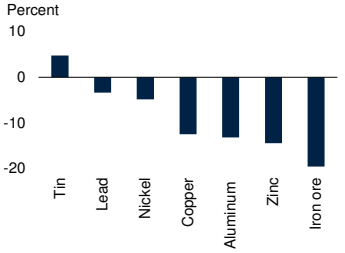

**C. Industry threshold levels of WTI oil price**



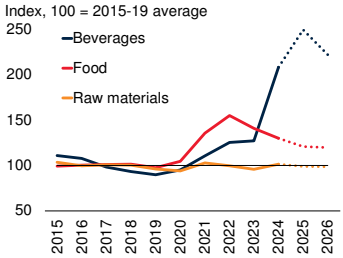

**D. Sales of electric vehicles in China: Market share and displaced oil demand**




**E. Projected cumulative change in base metals prices, 2025-26**




**F. Agricultural prices and forecasts**




*Sources*: Bloomberg; Consensus Forecasts; Energy Information Administration (EIA); Federal Reserve Bank of Kansas City; Ha, Kose and Ohnsorge (2023);International Energy Agency (IEA); World Bank.

A.F. Dashed lines indicate forecasts.

A. Commodity prices line refers to the World Bank commodity price index. Forecast for real commodity prices assumes the long-run historical relationship between global CPI inflation and the World Bank's MUV deflator, using Consensus Economics global CPI forecast for 2025 and 2026.

B. Brent crude oil forecasts for 2025 and 2026. Futures data as of April 15, 2025. Consensus data as of March, 2025 report. EIA data from Short-Term Energy Outlook, released April 10. Dashed lines indicate forecasts for 2025 - 2026.

C. Data is based on the Energy Survey for 2025Q1. Data for 2025 is based on 2025Q1.

D. Data are based on the IEA's Global EV Outlook 2024. Data for 2024 are estimated by interpolation from 2023 data and the 2025 forecast from IEA.

E. Compound projected price changes in 2025 and 2026.

set to expand output and new mines are expected to come online, even as stagnant activity in China's property sector continues to weigh on demand.

In contrast, the precious metals price index, after reaching a record high in 2024, is set to climb sharply again this year before stabilizing in 2026. Gold prices are expected to remain more than 150 percent above their 2015–19 average in 2025 and 2026, sustained by strong safe-haven demand amid elevated policy uncertainty, financial volatility, and rising trade tensions, and by further increases in central bank holdings. Silver prices are also forecast to make substantial gains, coming close to record price levels as safe-haven demand outweighs the effects of subdued industrial consumption.

### Agricultural prices

Agricultural prices are expected to edge down 1 percent in 2025 and soften 3 percent in 2026. Rising beverage prices are set to mostly offset softening food and raw materials prices this year, before all three indexes decline next year (figure 3.F). Beverage prices surged to record highs in early 2025 mainly owing to adverse weather limiting supplies of cocoa in West Africa and coffee in Brazil. All three sub-indexes of the food price index are forecast to dip in 2025, with grains falling by more than 10 percent, while the oils and meals and other foods, sub-indexes decrease by 7 percent and 5 percent, respectively. Ample rice and soybean supplies are projected to put downward pressure on both grains and oils and meals prices this year, although tighter markets for maize and wheat are expected to limit overall food price declines. Next year, the agricultural price index is pulled lower by the expectation that beverage prices will ease somewhat as coffee and cocoa supplies begin to recover, while only small changes are expected across the food price sub-indexes. Prices for agricultural raw materials are projected to wane about 2 percent in 2025 due to lower cotton and tobacco prices, before stabilizing in 2026.

## Risks

Overall, risks to the baseline commodity price projections are tilted to the downside. This primarily reflects marked downside risks to the outlook for global economic growth amid rising trade tensions, and therefore also to commodity demand. Moreover, declines in commodity prices due to weakening economic activity could be compounded by larger-than-expected increases in OPEC+ oil production. There are also some distinct upside risks to commodity prices. Geopolitical tensions could flare, putting upward pressure on prices, especially if commodity supplies are disrupted. Extreme weather events could cause price spikes in a range of agricultural and energy commodities. More positively, a lasting rollback in trade restrictions could improve growth prospects and support a recovery in commodity prices.

### Downside risks

**Weaker-than-expected global economic growth.** Against the current backdrop of acute policy uncertainty and deteriorating trade relations between major economies, downside risks to global growth are pronounced. If trade tensions escalate further, consumer and business confidence will likely continue to decline, while the tightening of financial conditions may intensify. Even without further worsening of trade relations, economic activity could decelerate more than expected—for example, if critical supply chains become disrupted, leading to large price shocks that erode real incomes. The effects of persistently elevated uncertainty are similarly challenging to gauge and could result in a more severe retrenchment in business investment than generally foreseen.

*Sharper slowdown scenario*: To quantify the potential effects of weaker-than-anticipated global economic growth on key commodity prices, a sharper slowdown scenario is defined by aggregating the 10th percentile of GDP forecasts from a large range of private sector forecasts across major economies. All forecasters have similar information but differ in their assumptions about

future policies and the impact of current policies. Therefore, by construction, this approach should result in a scenario for global growth that assumes further worsening of trade tensions, worse-than-consensus estimates of the effects of current tensions, or both.[3] To translate the additional growth slowdown into price impacts on both oil and copper—the commodities with the largest weights in each of the World Bank's energy and metals indexes—economic research is used to estimate the relationship between declining growth and oil and copper prices (Baumeister and Hamilton 2019; Baumeister, Ohnsorge, and Verduzco-Bustos 2023). [4]

In the baseline, the Brent oil price is forecast to average $64/bbl this year, down 21 percent from last year, while copper prices are set to average $8,200/mt, a 10 percent drawdown from 2024. In a sharper slowdown scenario, annual average oil prices could be another 7 percent lower in 2025, relative to the baseline, averaging about $59/bbl. This would entail an oil price decrease of more than 26 percent between 2024 and 2025 (figure 4.A). The sharper slowdown scenario also sees annual copper prices decline in 2025 to about 10 percent below the baseline forecast. This additional drop would amplify the already sizable reduction in copper prices expected for the remainder of this year in the baseline scenario, highlighting how vulnerable copper-intensive manufacturing may be to newly imposed trade restrictions. In all, average copper prices would drop by 19 percent between 2024 and 2025, even after copper prices increased in 2025Q1.

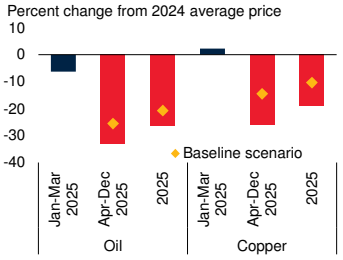
[3] To calibrate the assumed decline in global economic growth, private sector forecasts are drawn from Consensus Economics. In the sharper slowdown scenario, global growth in 2025 is estimated to be about 0.4 percentage point lower. This is calculated relative to Consensus Economics mean growth forecasts as of April 14, 2025.

[4] The method uses historical decomposition exercises in Baumeister and Hamilton (2019) and Baumeister, Ohnsorge, and Verduzco-Bustos (2024) to isolate the contribution of economic activity shocks to the evolution of oil and copper prices over time. These contributions are filtered for periods when economic activity shocks directionally coincide with changes in the growth of global economic activity to estimate time-varying elasticities of oil and copper prices with respect to global demand. The numbers reported represent the average of these time-varying elasticities.

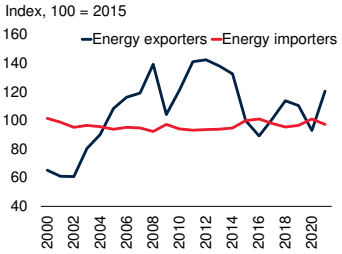
## FIGURE 4 Risks to commodity prices and implications of the commodity price forecasts

*If trade tensions and related uncertainty usher in a sharper-than-expected slowdown in global growth, commodity prices could undershoot the forecasts. For example, in a downside growth scenario, oil prices might decline by 26 percent in 2025, with copper prices sinking by 19 percent. Even assuming the baseline price forecasts, the terms of trade for energy exporters will deteriorate substantially. The forecasts imply notable downward pressure on inflation from energy prices, extending the trend of recent years. With hunger concentrated in areas subject to localized economic crises, armed conflicts, and natural disasters, the moderate forecast decline in food commodity prices may be too limited to materially lessen acute food insecurity.*

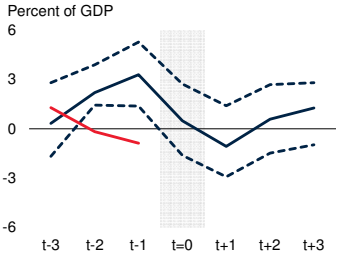
**A. Oil and copper prices in a sharper global slowdown scenario**



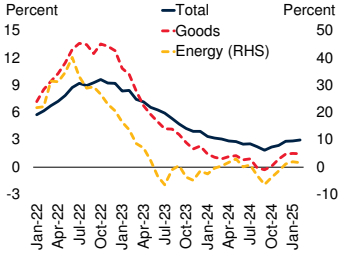

**B. Terms of trade in EMDEs**



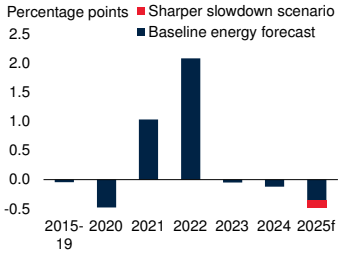

**C. Primary fiscal balances in energy exporters during oil price plunges**



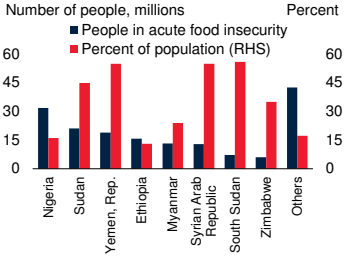

**D. Consumer price inflation: Total, goods, and energy**




**E. Direct contribution of energy component to global inflation**




**F. Acute food insecurity in hunger hotspots**




*Sources*: Baumeister and Hamilton (2019); Baumeister, Ohnsorge, and Verduzco-Bustos (2023); Bloomberg; Kose et al. (2022); International Monetary Fund; Organization for Economic Cooperation and Development; United Nations Food and Agriculture Organization; World Bank; World Food Program.

A. Changes in Brent oil and copper prices in a "sharper slowdown" global growth scenario, calibrated as described in the main text. See footnotes 3 and 4 for details regarding estimation technique. Blue bars represent realized prices, red bars represent prices in the sharper slowdown scenario.

B. GDP-weighted terms of trade indexes for 31 energy-exporting and 118 energy-importing EMDEs.

C. Primary balances in up to 35 EMDE energy exporters during oil price plunges in 1991, 1998, 2001, 2008, 2014, and 2020 (for year t). Blue and dashed lines represent median and interquartile ranges. Red line refers to 2025. Primary fiscal balance is government revenue minus non-interest expenditure.

D. Median 12-month CPI inflation by category in 29 economies. Last observation is February 2025.

E. GDP-weighted annual average direct contributions to headline CPI inflation from energy prices, based on data for up to 36 countries (26 advanced economies and 10 EMDEs, excluding China and Türkiye). 2025 is a forecast estimated with an OLS regression of energy contributions to inflation on changes in energy commodity prices and one lag of changes in energy commodity prices. Sharper slowdown scenario assumes the 2000-24 average elasticity between changes in oil prices and changes in energy commodity prices.

F. Acute food insecurity defined as Integrated Food Security Phase Classification level 3 or above. "Hunger hotspots" as defined by the UN FAO and WFP.

Although the dominant effect on commodity markets of increasing trade tensions would be lower prices due to weaker economic growth, proliferating trade restrictions could also create localized price spikes and geographic price differentials for similar commodities. For example, tariffs implemented on imports of a commodity from all trading partners are likely to raise a commodity's price for consumers in the importing jurisdiction, relative to global prices. In addition, if large commodity exporters lose competitiveness due to trade restrictions, it may lead to increases in the prices of commodity exports from competing producers, as demand for alternative supplies suddenly rises. Furthermore, with tariffs between key economies recently reaching prohibitive levels, there could be increased use of non-tariff measures, such as quotas and export bans. Export bans can generate abrupt supply shocks and may quickly lead to higher global prices if the exporter in question accounts for a substantial proportion of a commodity's global production.

**Increased oil supply.** The baseline oil price projections incorporate weaker oil consumption than anticipated by OPEC+, consistent with a worsening outlook for global economic growth. Accordingly, the oil price forecast also assumes that OPEC+ will ultimately increase oil production by considerably less than officially scheduled for 2025. It is nonetheless possible that OPEC+ will continue to expand output even in the context of softening demand—especially after the organization surprised markets with a larger-than-expected production increase in April. Such an approach could reflect a decision to prioritize market share at a time when producers with higher marginal costs are likely to be constrained by weaker profitability.

## Upside risks

**Geopolitical tensions.** Geopolitical risks remain elevated amid ongoing armed conflicts in Europe and the Middle East. Surges in geopolitical tensions last year did not ultimately result in conflict-related disruptions to the supply of energy or other essential commodities. Still, this risk remains, as illustrated in 2022 by the dramatic effects of Russia's invasion of Ukraine. Beyond armed conflicts, other geopolitical developments could adversely impact commodity supplies. For example, increased sanctions on oil producers could reduce oil exports, the prospect of which briefly pushed Brent prices above $80/bbl in early 2025. The sharp ascent of gold prices—once again breaking records this year—offers a market-based barometer of the extent to which geopolitical concerns remain highly salient to investors.

**Extreme weather events.** The average global surface air temperature in January 2025 was 1.75 degrees Celsius above pre-industrial levels, marking the eighteenth month out of nineteen when this temperature anomaly exceeded 1.5 degrees Celsius. Higher average temperatures are linked to more frequent and longer heat waves. In the United States, for example, the average number of heat waves per year has increased from two in the 1960s to more than six in the 2020s, while their average duration has risen from three days to more than four. Increasingly frequent and lengthy heat waves and other weather extremes increase uncertainty about commodity production and consumption, and can exert upward pressure on the prices of several commodities. In the energy sector, heat waves and droughts curtail hydropower output, increasing demand for natural gas and coal, while floods can reduce coal production by compromising access to mines. Heat waves can raise the prices of agricultural commodities by reducing crop yields. At the other extreme, periods of unusually low temperatures, such as those occurring in January 2024 and 2025 in North America, drive up consumption of natural gas for heating while constraining oil and natural gas production.

**Mitigation of global trade tensions.** The baseline commodity price forecasts assume materially weaker global economic growth than last year, consistent with broadly deteriorating expectations for growth in major economies. However, to a large extent, such forecasts reflect negative expectations about the effects of recent trade policy shifts on economic activity, which could be partially reversed if policies become more supportive of growth and trade tensions ease. For example, if tariffs recently enacted between major economies are significantly decreased in a lasting

manner or rolled back altogether, growth prospects could improve markedly, aided by a rapid easing of global financial conditions. In that case, commodity prices would likely strengthen to above the forecast levels, anticipating stronger demand.

## Broader implications

**Growth in energy-exporting EMDEs.** The commodity price forecasts reflect an expected decline in global economic growth, which is also likely to entail a substantial slowdown in global trade and investment. For many emerging market and developing economies (EMDEs), this will weaken external demand, weighing on overall output growth. For EMDE energy exporters—economies that rely heavily on energy exports for fiscal and export revenues—external headwinds to growth may be exacerbated by sharp deteriorations in terms of trade, which tend to be far more volatile than the terms of trade of energy importers (figure 4.B).

Such commodity terms-of-trade shocks hamper growth through several channels. First, adverse income effects weigh on domestic demand, as less income is transferred in aggregate from commodity importers to commodity exporters. Second, incentives to invest in future commodity production decline. Third, with export-derived fiscal revenues falling, fiscal space diminishes, which can lead to procyclical fiscal tightening—particularly in countries where fiscal space is already limited or where fiscal breakeven energy prices are well above spot prices. This channel could prove important in the coming years, given primary fiscal balances in energy exporters are weaker than prior to previous oil price plunges (figure 4.C). Finally, depending somewhat on exchange rate arrangements and corporate and government balance sheets, financial conditions may tighten due to a combination of pressure on the foreign exchange value of local currencies and higher perceived default risks. The latter three channels may be muted in energy exporters with low marginal production costs and strong fiscal and financial buffers, but could intensify a downturn in growth among producers with relatively high marginal costs and greater financial vulnerabilities.

**Inflation.** Consumer price inflation has trended downward globally over the last two years, but the pace of decline has slowed in the last six months. Indeed, global median consumer price inflation was slightly higher in February 2025 than in August 2024, with services inflation proving sticky in many economies and goods inflation moving into positive territory. Commodity prices have been a key source of disinflation since 2022, with decreases in energy prices especially weighing on headline inflation—directly through consumer energy costs and indirectly through their impact on goods prices (figure 4.D).

The commodity price forecasts suggest that energy prices should impart further downward pressure on global inflation over the coming year. Oil and coal prices are set to remain considerably below last year's levels, while natural gas prices are expected to soften over the remainder of 2025, after having spiked in 2025Q1. Together, the direct effects of energy commodity price movements could reduce global consumer price inflation by about 0.35 percentage point in 2025 (figure 4.E). In the sharper slowdown scenario discussed above, energy prices could directly knock half a percentage point off global inflation this year—the same size of the negative contribution in 2020. Declines in food commodity prices this year should also help reduce overall price pressures, especially in countries where rice is a key staple—primarily in Asia and Africa. The commodity-derived disinflationary impulse is likely to fade over 2026, as commodity prices start to stabilize at lower levels.

**Food insecurity.** Food commodity prices are set to soften somewhat this year, which should help alleviate food insecurity situations at the margin. That said, the decline in food prices projected for 2025-26 is likely too small to substantially curb instances of acute food insecurity, especially given that lower prices are attributable in part to weaker income growth prospects. The link between global food prices and global hunger is attenuated by the fact that acute food insecurity often reflects localized crises such as armed conflicts, natural disasters, and economic downturns, often in places with limited integration into global markets. The amelioration of hunger in such settings is likely to

require either marked improvements in local conditions or large, supply-driven declines in global prices.

Against this backdrop, the United Nations estimates that the number of people facing crisis or worse levels of food insecurity in hunger hotspots—countries where already elevated food insecurity is likely to worsen in the coming months—is slightly under 170 million, up from 158 million a year earlier (WFP and FAO 2023 and 2024). Three-quarters of these people are in just eight locations, with the primary driver of hunger remaining armed conflict. As a percentage of the population, severe food insecurity is most pervasive in Gaza, Haiti, the Republic of Yemen, South Sudan, Sudan, and the Syrian Arab Republic (figure 4.F). In this context, global humanitarian assistance is estimated to have declined for a second consecutive year in the twelve months to August 2024.

## Special Focus

### Post-Pandemic Commodity Cycles: A New Era?

The Special Focus analyzes commodity price cycles over the past 55 years, evaluating changes in behavior over time, and comparing post-pandemic commodity price cycles with earlier patterns. The analysis reveals three main findings. First, between 1970 and 2024, price slumps have lasted significantly longer than booms (52 vs. 38 months on average), while the amplitude of upswings has been similar to that of downswings. Across commodity types, prices of industrial commodities have been closely synchronized, reflecting their common sensitivity to macroeconomic conditions. Meanwhile, agricultural commodity price movements have tended to be driven by localized supply shocks.

Second, the analysis highlights some shifts in the characteristics of cycles. During 1970–85, cycles were relatively short but also relatively pronounced in amplitude, dominated by commodity supply shocks. During 1986–2001, longer, less pronounced cycles emerged, perhaps as a result of technological advances and market liberalization. Since 2002, commodity prices have experienced renewed swings. Cycles became shorter, with price movements reflecting a mix of global macroeconomic shocks—including rapid EMDE growth and international integration, followed by the global financial crisis—and more commodity-specific shocks, such as the oil price collapse in the mid-2010s.

Third, the post-pandemic period has been marked by record commodity price volatility, reflecting the impact of overlapping global and commodity-specific shocks, including the pandemic and geopolitical conflicts. In this context, commodity price cycles have become more frequent and increasingly asymmetric, with phase durations nearly halving relative to their long-term average, booms becoming sharper, and slumps moderating. Among other factors, these developments likely reflect the influence of structural trends that are increasing the likelihood of commodity price shocks, including the energy transition, climate-related supply risks, and rising economic fragmentation. Together, these forces may be reshaping cycle dynamics by shifting demand preferences, introducing new supply frictions, and amplifying price swings.

## TABLE 1 World Bank Commodity Price Forecasts

| | | | | | | Percent change from previous year | | Differences in levels from October 2024 projections | |
|---|---|---|---|---|---|---|---|---|---|
| **Commodity** | **Unit** | **2023** | **2024** | **2025f** | **2026f** | **2025f** | **2026f** | **2025f** | **2026f** |
| **INDEXES (in nominal U.S. dollars, 2010 = 100)** | | | | | | | | | |
| **Total** [1] | | 108.0 | 105.1 | 92.1 | 87.7 | -12.4 | -4.8 | -6.9 | -9.6 |
| **Energy** [2] | | 106.9 | 101.5 | 83.8 | 78.9 | -17.4 | -5.9 | -10.7 | -13.6 |
| **Non-Energy** | | 110.2 | 112.5 | 108.8 | 105.4 | -3.3 | -3.1 | 0.6 | -1.5 |
| **Agriculture** | | 110.9 | 115.0 | 114.0 | 110.3 | -0.9 | -3.2 | 5.6 | 2.4 |
| **Beverages** | | 107.8 | 176.4 | 211.1 | 187.9 | 19.7 | -11.0 | 56.1 | 37.1 |
| **Food** | | 125.4 | 115.8 | 107.7 | 106.8 | -7.0 | -0.9 | -2.5 | -3.0 |
| Oils and Meals | | 118.9 | 106.9 | 99.6 | 100.0 | -6.8 | 0.3 | -1.6 | -2.0 |
| Grains | | 133.0 | 112.9 | 101.0 | 99.9 | -10.5 | -1.1 | -6.6 | -8.0 |
| Other food | | 127.2 | 130.4 | 124.3 | 121.9 | -4.6 | -2.0 | -0.1 | 0.0 |
| **Raw Materials** | | 77.1 | 81.6 | 79.8 | 79.4 | -2.2 | -0.6 | -0.6 | -2.0 |
| Timber | | 79.1 | 79.6 | 79.3 | 81.0 | -0.4 | 2.2 | -2.6 | -2.2 |
| Other Raw Materials | | 74.9 | 83.9 | 80.5 | 77.7 | -4.0 | -3.5 | 1.6 | -1.7 |
| **Fertilizers** | | 153.5 | 117.6 | 126.1 | 124.8 | 7.2 | -1.1 | 10.9 | 7.7 |
| **Metals and Minerals** [3] | | 104.0 | 106.7 | 96.2 | 93.3 | -9.8 | -3.1 | -10.6 | -10.4 |
| **Base Metals** [4] | | 109.0 | 114.1 | 103.5 | 100.9 | -9.3 | -2.5 | -13.0 | -12.6 |
| **Precious Metals** [5] | | 147.3 | 180.2 | 239.6 | 237.4 | 33.0 | -0.9 | 61.6 | 63.1 |
| | | | | | | | | | |
| **PRICES (in nominal U.S. dollars)** | | | | | | | | | |
| **Energy** | | | | | | | | | |
| Coal, Australia | $/mt | 172.8 | 136.1 | 100.0 | 95.0 | -26.5 | -5.0 | -20.0 | -10.0 |
| Crude oil, Brent | $/bbl | 82.6 | 80.7 | 64.0 | 60.0 | -20.7 | -6.3 | -9.0 | -12.0 |
| Natural gas, Europe | $/mmbtu | 13.1 | 11.0 | 11.6 | 10.6 | 5.8 | -8.6 | 0.1 | 0.1 |
| Natural gas, U.S. | $/mmbtu | 2.5 | 2.2 | 3.3 | 3.4 | 50.6 | 3.0 | -0.1 | -0.3 |
| Liquefied natural gas, Japan | $/mmbtu | 14.4 | 12.8 | 12.5 | 11.5 | -2.7 | -8.0 | -1.0 | -1.0 |
| | | | | | | | | | |
| **Non-Energy** | | | | | | | | | |
| **Agriculture** | | | | | | | | | |
| **Beverages** | | | | | | | | | |
| Cocoa | $/kg | 3.28 | 7.33 | 8.00 | 7.00 | 9.1 | -12.5 | 2.00 | 1.10 |
| Coffee, Arabica | $/kg | 4.54 | 5.62 | 8.50 | 7.25 | 51.2 | -14.7 | 3.50 | 2.50 |
| Coffee, Robusta | $/kg | 2.63 | 4.41 | 5.50 | 5.00 | 24.6 | -9.1 | 1.30 | 1.10 |
| Tea, average | $/kg | 2.74 | 3.04 | 2.50 | 2.80 | -17.8 | 12.0 | -0.70 | -0.40 |
| | | | | | | | | | |
| **Food** | | | | | | | | | |
| **Oils and Meals** | | | | | | | | | |
| Coconut oil | $/mt | 1,075 | 1,519 | 1,800 | 1,750 | 18.5 | -2.8 | 250 | 350 |
| Groundnut oil | $/mt | 2,035 | 1,796 | 1,685 | 1,670 | -6.2 | -0.9 | -65 | -30 |
| Palm oil | $/mt | 886 | 963 | 1,020 | 1,040 | 5.9 | 2.0 | 160 | 190 |
| Soybean meal | $/mt | 541 | 442 | 370 | 369 | -16.3 | -0.3 | -65 | -75 |
| Soybean oil | $/mt | 1,119 | 1,022 | 990 | 967 | -3.1 | -2.3 | -30 | -86 |
| Soybeans | $/mt | 598 | 462 | 382 | 386 | -17.4 | 1.0 | -48 | -54 |
| | | | | | | | | | |
| **Grains** | | | | | | | | | |
| Barley | $/mt | … | … | 180 | 184 | ... | 2.2 | -5 | 0 |
| Maize | $/mt | 253 | 191 | 187 | 183 | -1.9 | -2.1 | 2 | -5 |
| Rice, Thailand, 5% | $/mt | 554 | 588 | 421 | 422 | -28.5 | 0.2 | -109 | -96 |
| Wheat, U.S., HRW | $/mt | 340 | 269 | 263 | 260 | -2.1 | -1.1 | -2 | -8 |

## TABLE 1 World Bank Commodity Price Forecasts (*continued*)

| | | | | | | Percent change from previous year | | Differences in levels from October 2024 projections | |
|---|---|---|---|---|---|---|---|---|---|
| **Commodity** | **Unit** | **2023** | **2024** | **2025f** | **2026f** | **2025f** | **2026f** | **2025f** | **2026f** |
| **PRICES (in nominal U.S. dollars)** | | | | | | | | | |
| **Non-Energy** | | | | | | | | | |
| **Other Food** | | | | | | | | | |
| Bananas, U.S. | $/kg | 1.60 | 1.23 | 1.23 | 1.20 | -0.3 | -2.4 | -0.10 | 0.00 |
| Beef | $/kg | 4.90 | 5.93 | 5.90 | 5.91 | -0.5 | 0.2 | 0.00 | 0.00 |
| Chicken | $/kg | 1.53 | 1.46 | 1.40 | 1.38 | -4.3 | -1.4 | 0.00 | 0.00 |
| Oranges | $/kg | 1.57 | 2.26 | 1.85 | 1.75 | -18.1 | -5.4 | 0.20 | 0.20 |
| Shrimp | $/kg | 10.19 | … | 9.00 | 9.50 | ... | 5.6 | 0.00 | 0.00 |
| Sugar, World | $/kg | 0.52 | 0.45 | 0.44 | 0.43 | -1.9 | -2.3 | -0.10 | -0.10 |
| **Raw Materials** | | | | | | | | | |
| **Timber** | | | | | | | | | |
| Logs, Africa | $/cum | 379 | 379 | 390 | 395 | 3.0 | 1.3 | 0 | 0 |
| Logs, S.E. Asia | $/cum | 212 | 197 | 200 | 210 | 1.7 | 5.0 | -10 | -5 |
| Sawnwood, S.E. Asia | $/cum | 678 | 697 | 690 | 700 | -0.9 | 1.4 | -20 | -20 |
| **Other Raw Materials** | | | | | | | | | |
| Cotton | $/kg | 2.09 | 1.91 | 1.65 | 1.70 | -13.7 | 3.0 | -0.30 | -0.40 |
| Rubber, TSR20 | $/kg | 1.38 | 1.75 | 2.00 | 1.90 | 14.0 | -5.0 | 0.20 | 0.00 |
| Tobacco | $/mt | 5,016 | 5,899 | 5,300 | 5,000 | -10.2 | -5.7 | 400 | 200 |
| **Fertilizers** | | | | | | | | | |
| DAP | $/mt | 550 | 564 | 600 | 550 | 6.4 | -8.3 | 90 | 45 |
| Phosphate rock | $/mt | 322 | 153 | 155 | 160 | 1.6 | 3.2 | -5 | -5 |
| Potassium chloride | $/mt | 383 | 295 | 310 | 315 | 5.0 | 1.6 | 20 | 20 |
| TSP | $/mt | 480 | 475 | 470 | 465 | -1.0 | -1.1 | 45 | 40 |
| Urea, E. Europe | $/mt | 358 | 338 | 390 | 375 | 15.3 | -3.8 | 55 | 35 |
| **Metals and Minerals** | | | | | | | | | |
| Aluminum | $/mt | 2,256 | 2,419 | 2,175 | 2,100 | -10.1 | -3.4 | -325 | -500 |
| Copper | $/mt | 8,490 | 9,142 | 8,200 | 8,000 | -10.3 | -2.4 | -1100 | -500 |
| Iron ore | $/dmt | 120.6 | 109.4 | 95.0 | 88.0 | -13.2 | -7.4 | 0 | -2 |
| Lead | $/mt | 2,136 | 2,069 | 2,030 | 2,000 | -1.9 | -1.5 | -20 | -100 |
| Nickel | $/mt | 21,521 | 16,814 | 15,800 | 16,000 | -6.0 | 1.3 | -1700 | -2500 |
| Tin | $/mt | 25,938 | 30,066 | 31,000 | 31,500 | 3.1 | 1.6 | -1000 | -2500 |
| Zinc | $/mt | 2,653 | 2,776 | 2,500 | 2,375 | -9.9 | -5.0 | -100 | -125 |
| **Precious Metals** | | | | | | | | | |
| Gold | $/toz | 1,943 | 2,388 | 3,250 | 3,200 | 36.1 | -1.5 | 925 | 950 |
| Silver | $/toz | 23.4 | 28.3 | 33.0 | 34.0 | 16.7 | 3.0 | 3.0 | 3.0 |
| Platinum | $/toz | 966 | 955 | 1,050 | 1,075 | 9.9 | 2.4 | 0 | -25 |

*Source*: World Bank.
1. The World Bank's *commodity total price index* is composed of energy and non-energy prices (excluding precious metals), weighted by their share in 2002-04 exports. The energy index's share in the overall index is 67 percent.
2. Energy price index includes coal (Australia), crude oil (Brent), and natural gas (Europe, Japan, U.S.).
3. Base metals plus iron ore.
4. Includes aluminum, copper, lead, nickel, tin, and zinc.
5. Precious metals are not part of the non-energy index.
f = forecast.