Commodity Markets Outlook: Recent Developments, Prospects and Risks

Dana Vorisek, Paolo Agnolucci, Jeetendra Khadan, and Dawit Mekonnen

Summary of the October 2025 CMO

November 11, 2025

WORLD BANK GROUP
Development Economics | Prospects Group

The Big Picture

Commodity Markets: Recent Developments and Outlook

- Broad commodity price index outlook: 8 percent decline in 2025, 7 percent decline in 2026, 4 percent increase in 2027. Energy prices on track to decline sharply in 2025 and 2026

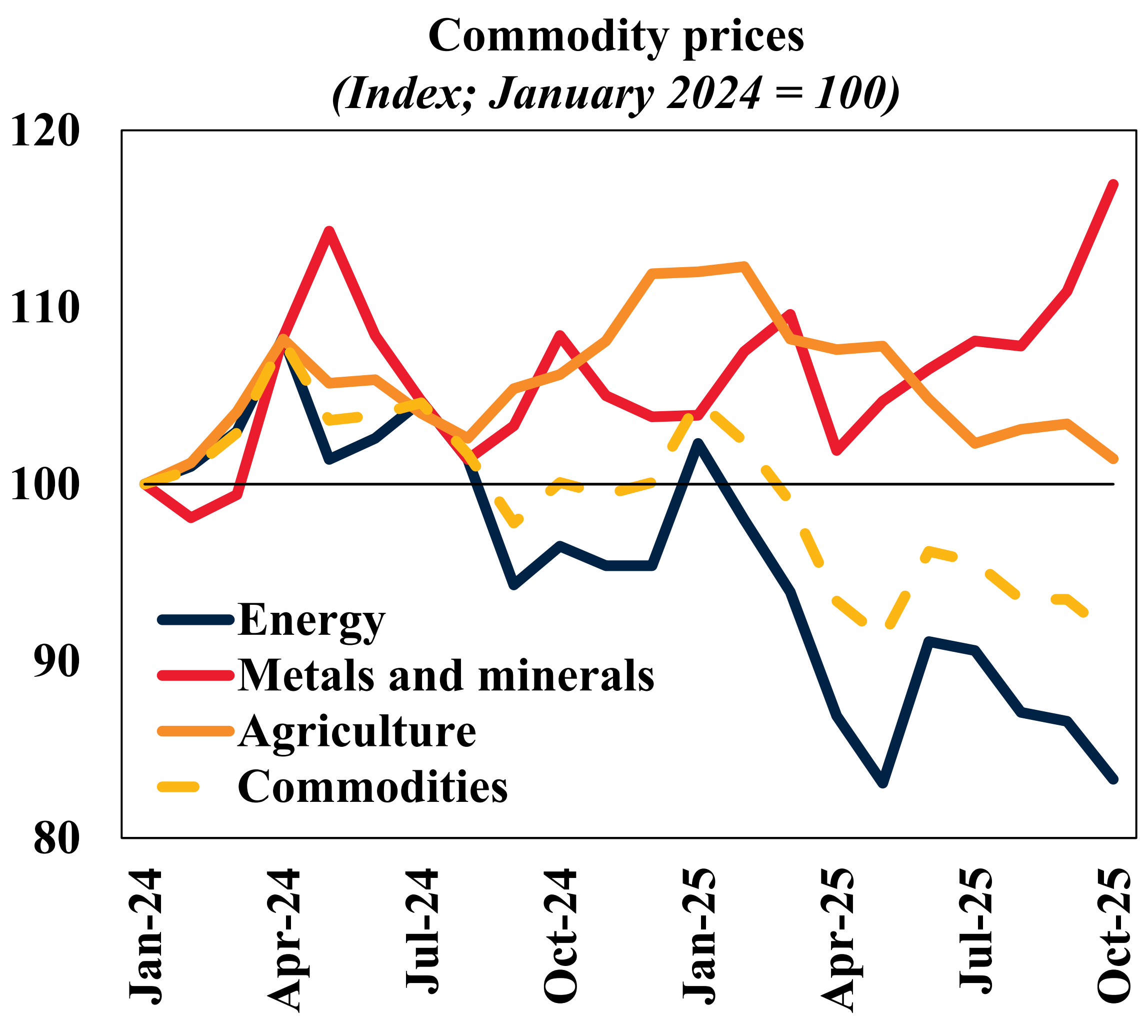
- A few commodity prices have surged in 2025, despite the overall downward trend: precious metals, copper and aluminum, U.S. natural gas, fertilizers, coffee

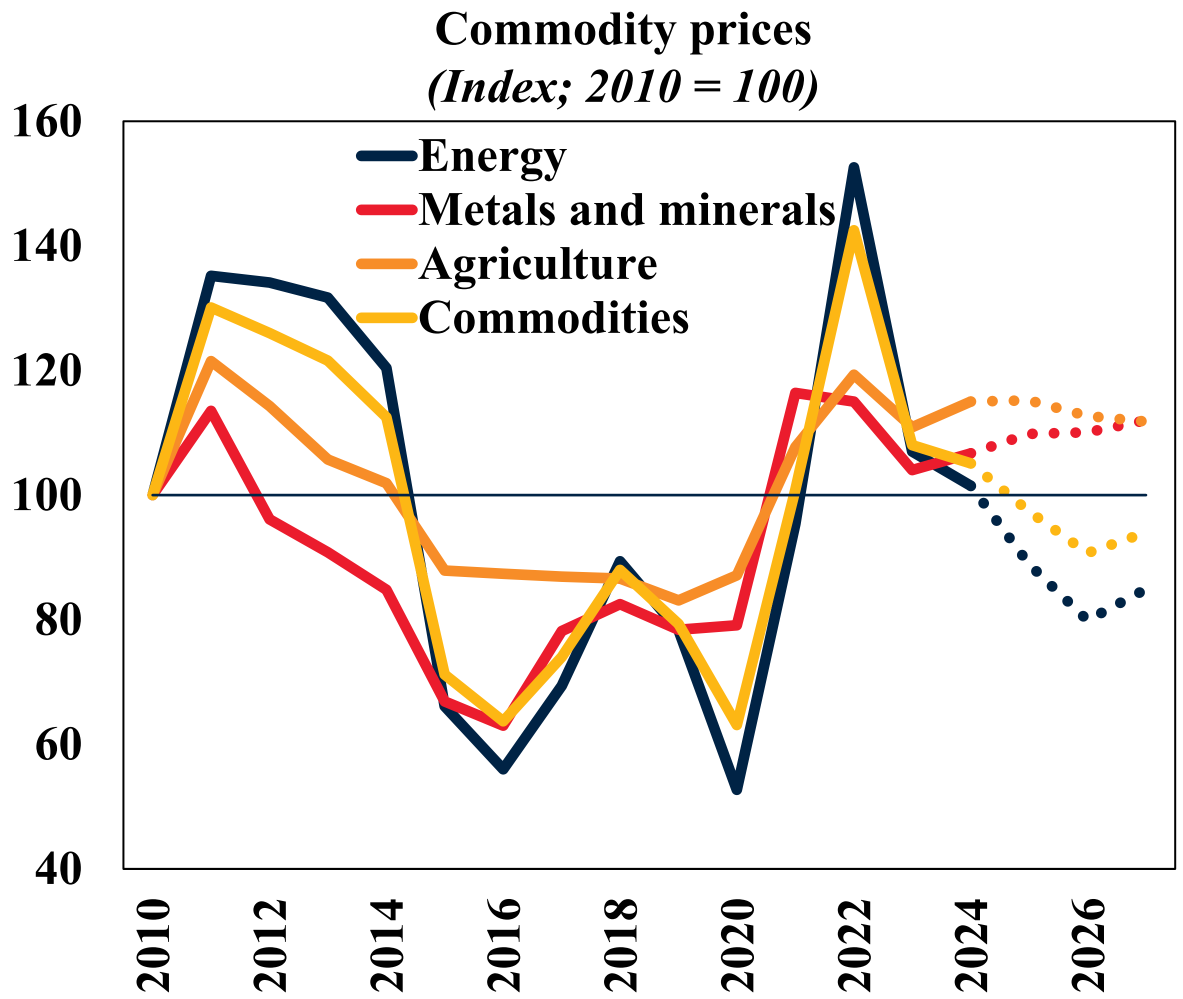
- 2026 would be the fourth consecutive year of commodity price declines, by a cumulative 36 percent in 2022-26, following a cumulative increase of about 125 percent in 2020-22

- All three main indexes (energy, agriculture, metals and minerals) revised up for 2025 and 2026 since April CMO, consistent with direction of global growth revisions

Commodity Prices

Energy down sharply; Projected decline in energy and broadly stable metals and agric.





Source: World Bank.
Left panel: Monthly data. Last observation is October 2025. Left and Right panels: Commodity price index presents the weighted index of energy and non-energy commodities, using export weights and excluding precious metals.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

Commodity Markets: Forecasts

Easing broad indexes in 2026 but upward revisions to forecast since April 2025

Price indexes in nominal U.S. dollars
(Index, 100 = 2010)

	2023	2024	2025f	2026f	2027f	Level differences from April 2025: 2025f	Level differences from April 2025: 2026f
Total	108.0	105.1	**97.4**	**90.7**	**94.0**	+5.3	+3.0
Energy	106.9	101.5	**88.9**	**79.9**	**84.9**	+5.1	+1.0
Oil price (US$ per barrel)	82.6	80.7	**68.0**	**60.0**	**65.0**	+4.0	0.0
Non-energy	110.2	112.5	**114.4**	**112.7**	**112.5**	+5.6	+7.3
Agriculture	110.9	115.0	**115.2**	**112.7**	**111.8**	+1.2	+2.4
Metals and minerals	104.0	106.7	**109.8**	**110.1**	**112.0**	+13.6	+16.2

Source: World Bank.
Note: Forecasts for 2025-27 are from the October 2025 *Commodity Markets Outlook*.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

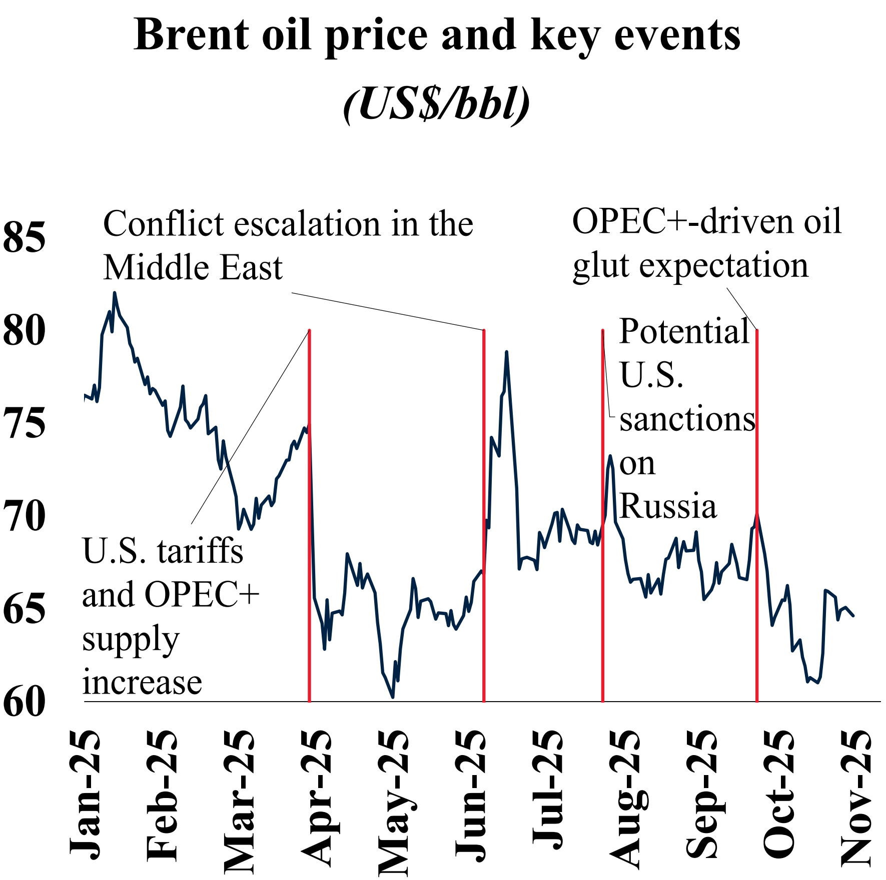
Commodity Price Outlook: Risks and Broad Implications

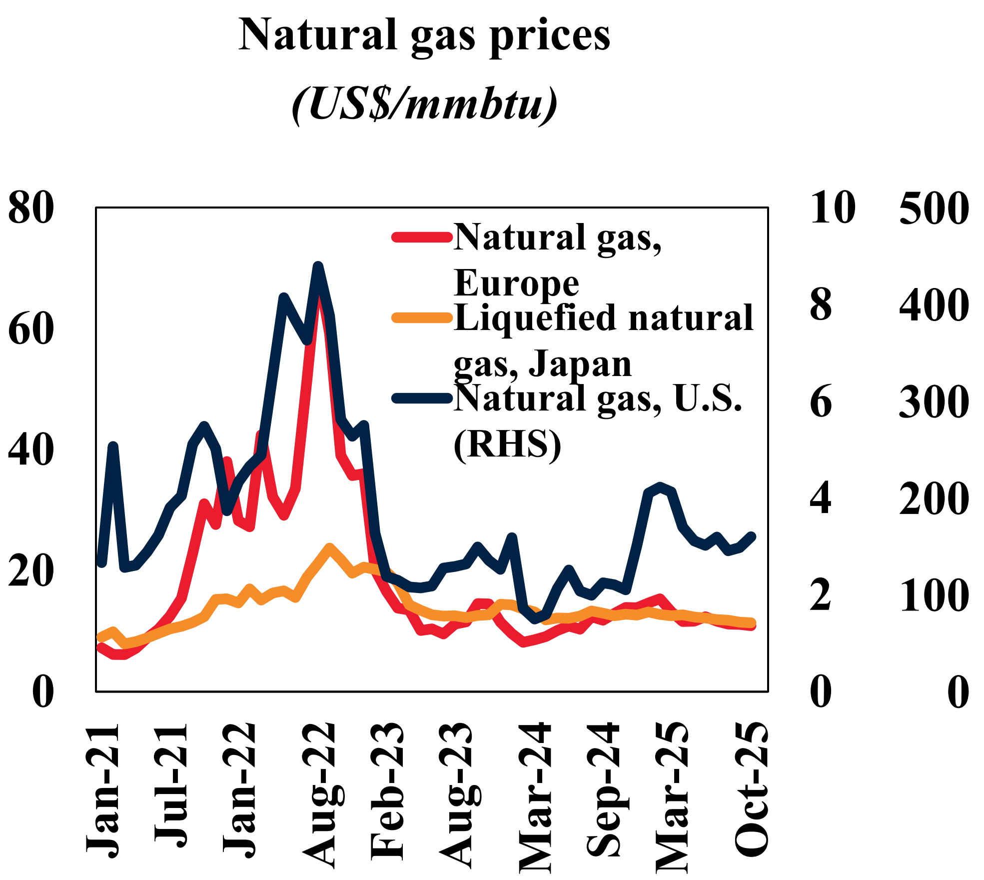
- **Downside risks**: Weaker-than-expected global growth, including from resurgent trade tensions and trade policy uncertainty; oil market oversupply
- **Upside risks:** further geopolitical tensions; additional trade and production disruptions; adverse weather conditions; accelerated surge in construction of data centers
- **Implications of commodity price outlook:**
  - More fiscal space in oil-importing EMDEs -> capacity to reduce fuel subsidies
  - Commodity prices to support disinflation in 2025 and 2026
  - Improved affordability of basic foods in EMDEs (though country-specific factors present)
  - Lower profit margins for farmers may reduce fertilizer application rates in the near term

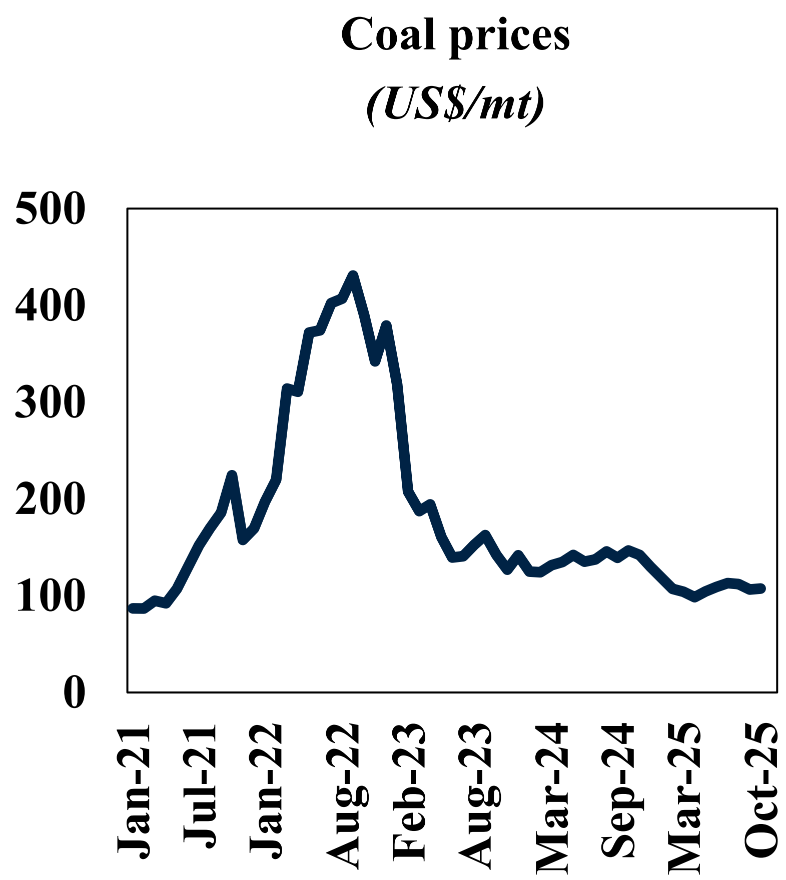
Energy

Falling Energy Prices

Oil price decreasing in 2025, as natural gas prices diverge and coal remains high







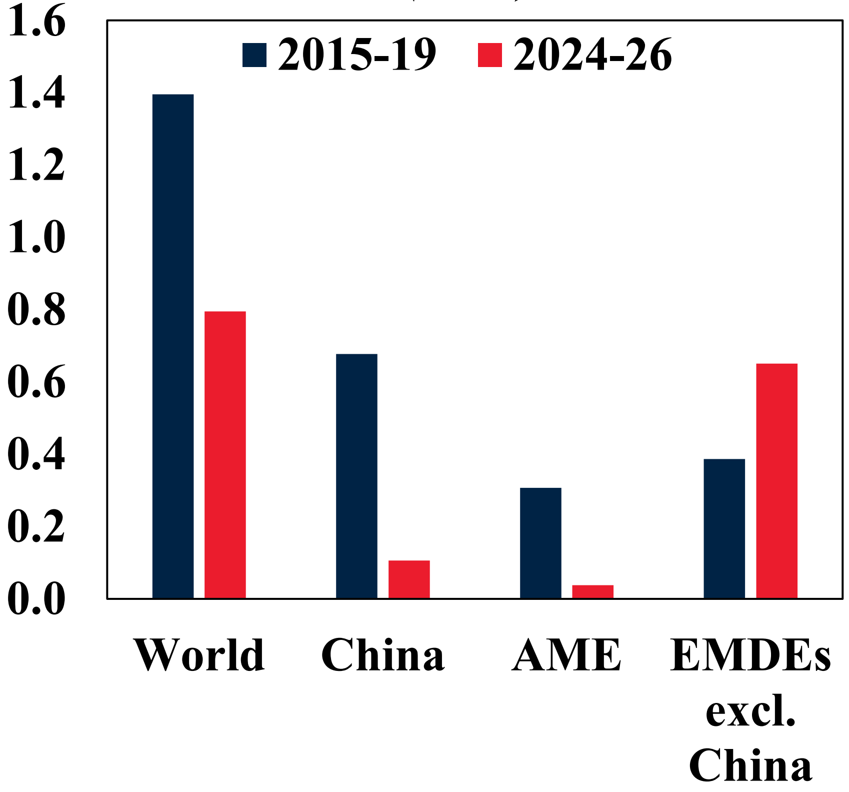
Sources: Bloomberg; Official Statistics of Japan; World Bank.
Left Panel. bbl = barrel. Daily Brent prices; last observation is November 3, 2025. Vertical lines indicate major events. Middle Panel. mmbtu = million British thermal units; RHS = right-hand side. Right Panel. Mt = metric ton. Monthly data for Australian coal prices. Middle and Right Panels. Monthly data, last observation is October 2025.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

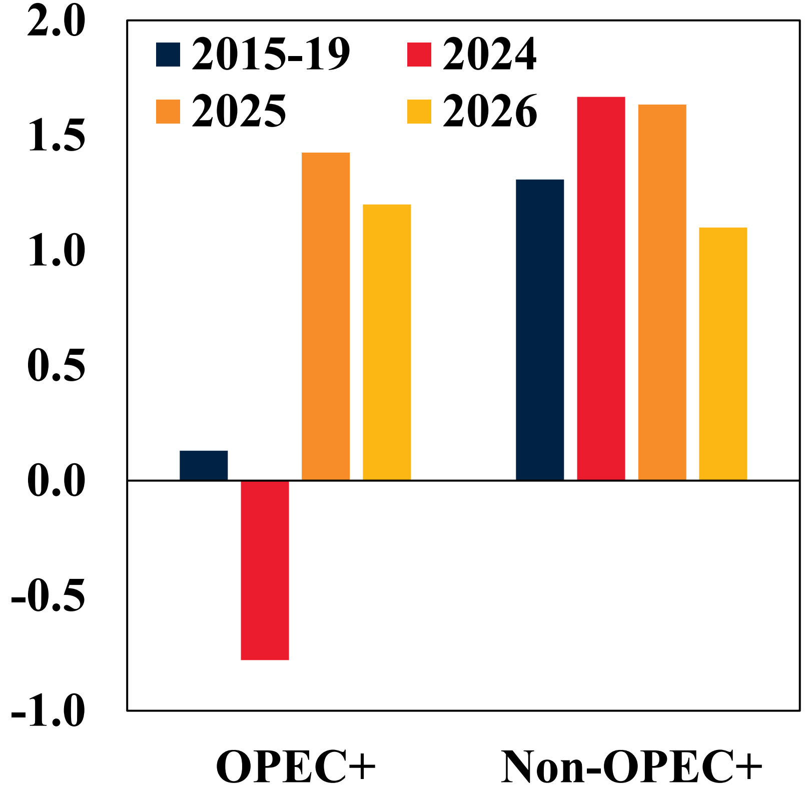
An Oil Glut amid Sluggish Demand and a Surging Supply

Demand plateauing in China and AME while OPEC+ supply returns to the market

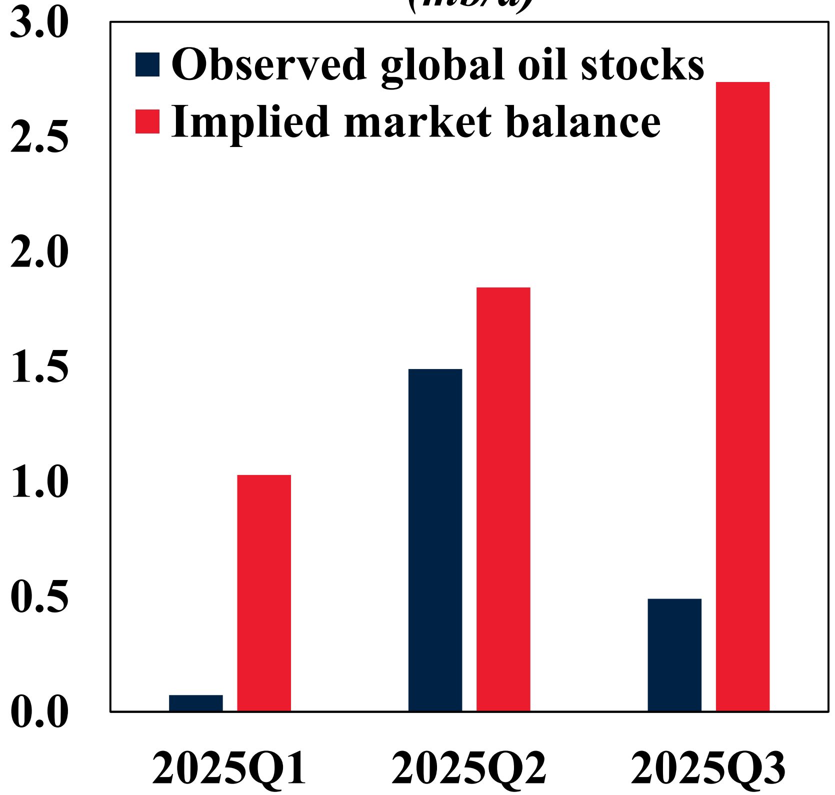
Average annual change in oil demand
(mb/d)



Average annual changes in oil supply
(mb/d)



Observed global oil stocks and implied market balance
(mb/d)



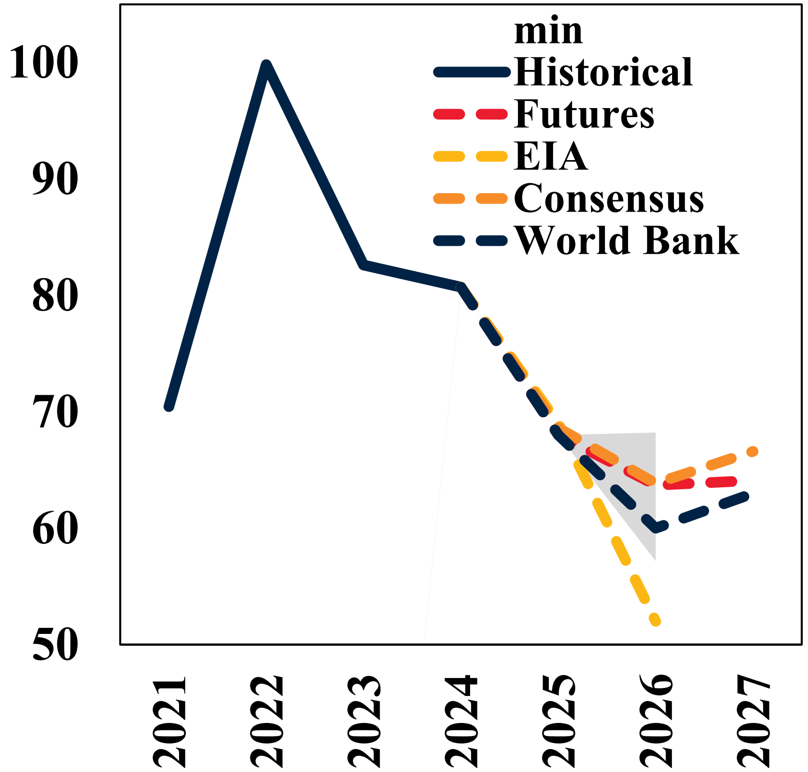
Sources: International Energy Agency (IEA); World Bank.
Left and Middle Panels. mb/d = million barrels per day. Data based on IEA's *Oil Market Report*, October 2025 edition. Data for 2025 and 2026 indicate IEA forecasts. Right Panel. The implied oil market balance is the difference between supply and demand in each quarter. Data are from October 2025 IEA *Oil Market Report*. Monthly data of global observed oil stocks, summed by quarter. 2025Q3 data for observed global oil stocks only includes July and August.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics | Prospects

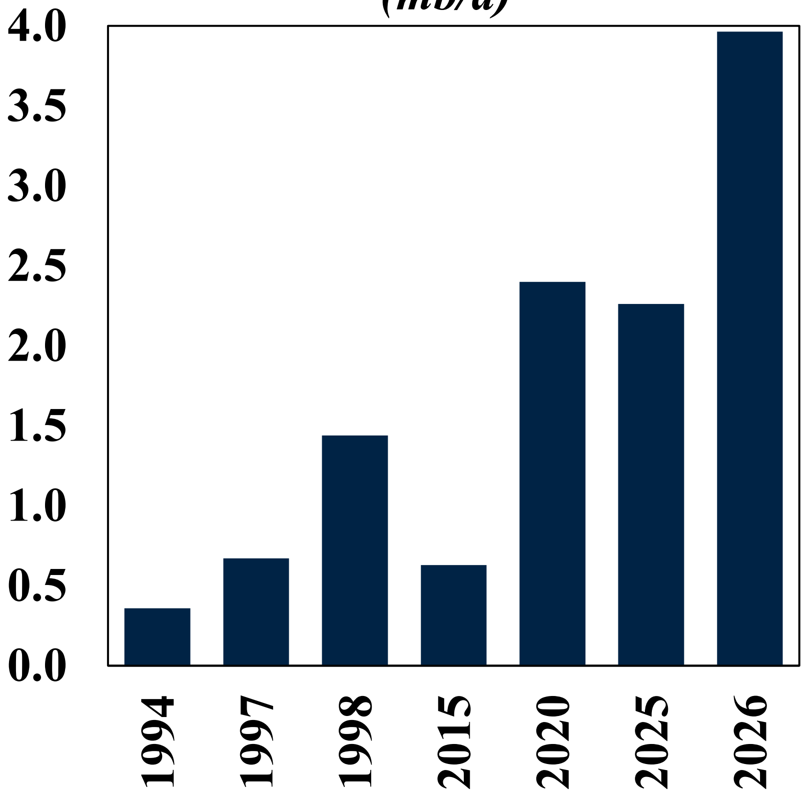
Four Years of Falling Oil Prices before a Small Reversion in 2027

Record glut levels at risk from additional geopolitical tensions and voluntary curbs

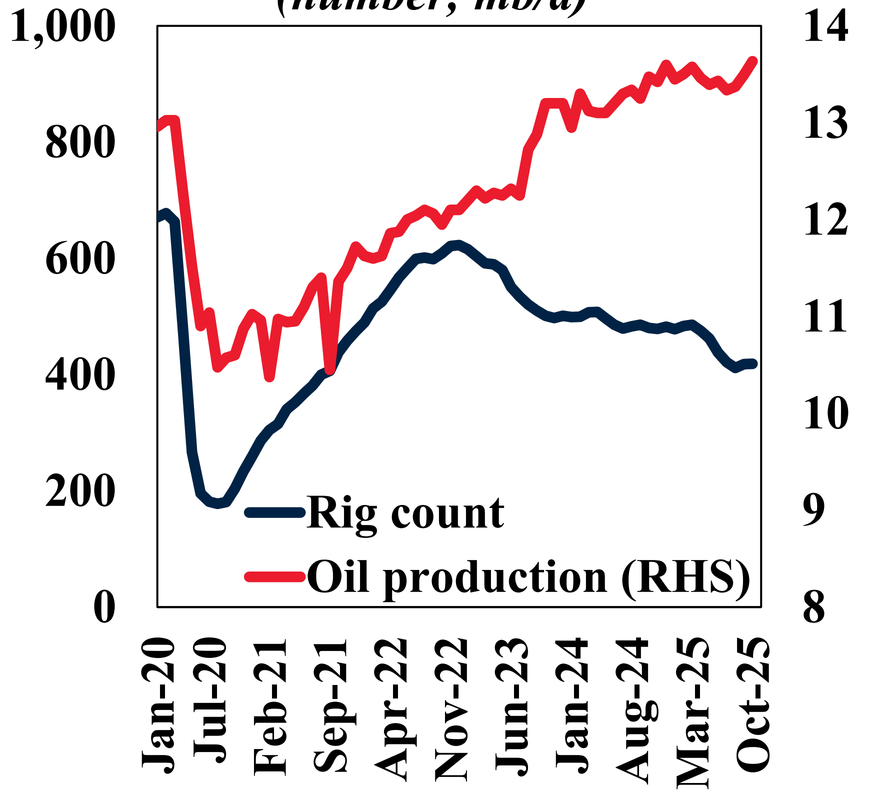
Price forecast comparisons
(US$/bbl)



Average annual excess oil market supply in selected years
(mb/d)



U.S. rig count and oil production
(number; mb/d)



Sources: Baker Hughes; Bloomberg; Consensus Forecasts; International Energy Agency (IEA); U.S. Energy Information Administration (EIA); World Bank.
Left Panel. bbl = barrel. Futures data as of October 17, 2025. Consensus data as of September 2025 report; EIA data are from the October 2025 issue of *Short-Term Energy Outlook*. Dashed lines indicate forecasts for 2025–2027. Grey area indicates the 10th-90th percentile range of private-sector oil price forecasts, included in the September 2025 Consensus Forecasts release. Middle Panel. mb/d = million barrels per day. Bars show size and timing of average estimated annual implied oil market balance greater than 0.3 mb/d since 1991. Positive values indicate an excess of supply over demand. Data are based on the October edition of IEA's *Oil Market Report*. Right Panel. RHS = right-hand side. Weekly data, averaged by month. Last observation is October 2025.

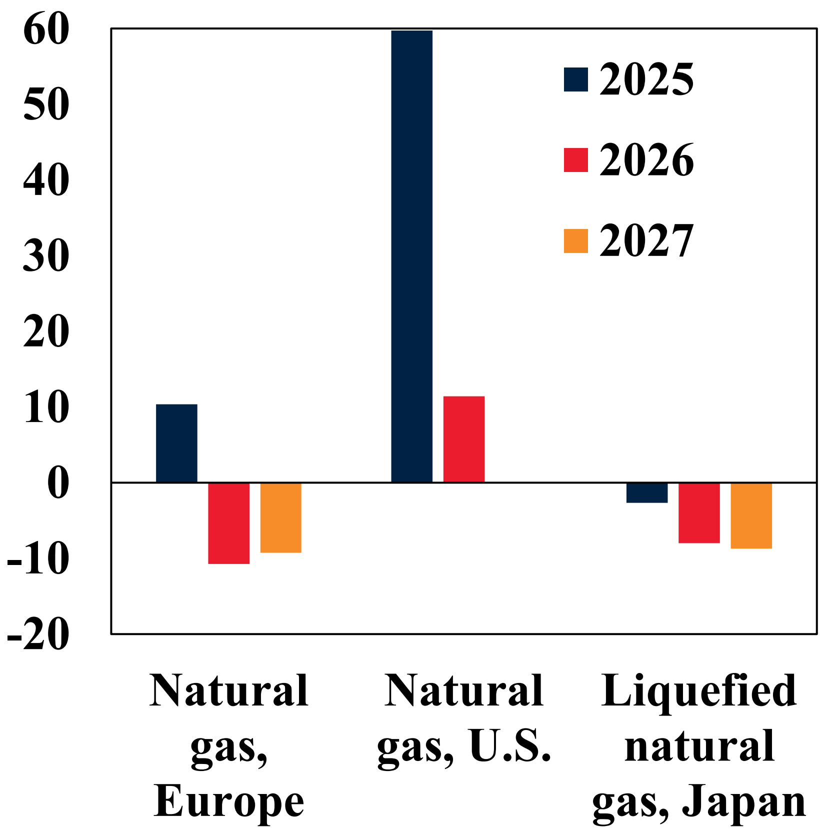
THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

Natural Gas Prices to Continue Diverging in 2026 and 2027

U.S. LNG redirected amid unusually low EU storage levels and demand in Asia

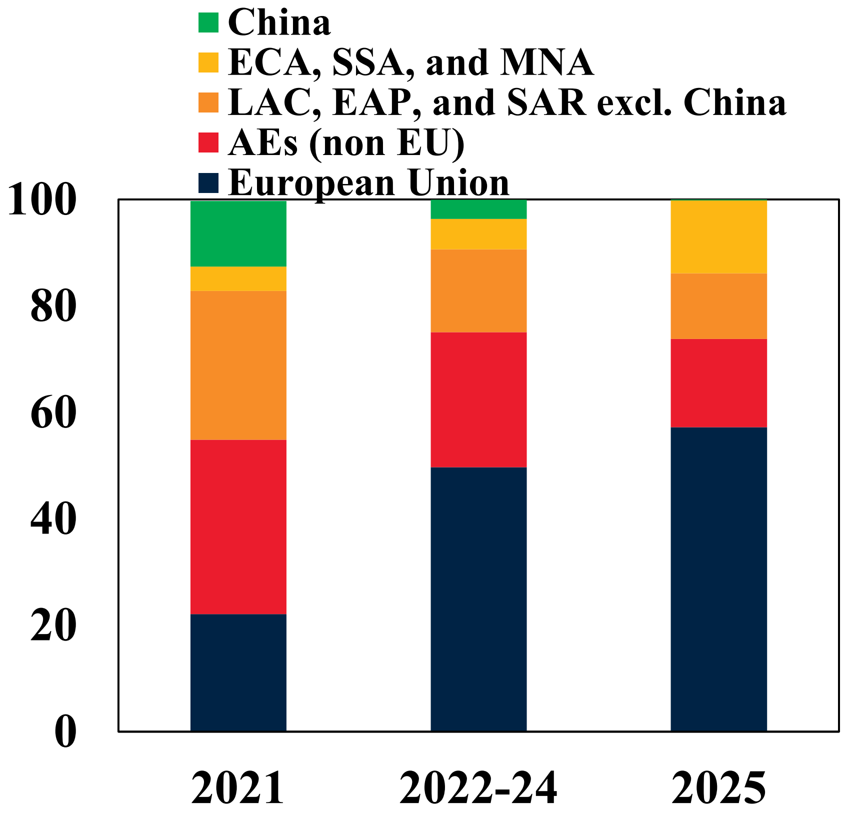
Changes in gas prices

(Percent change, y-o-y)



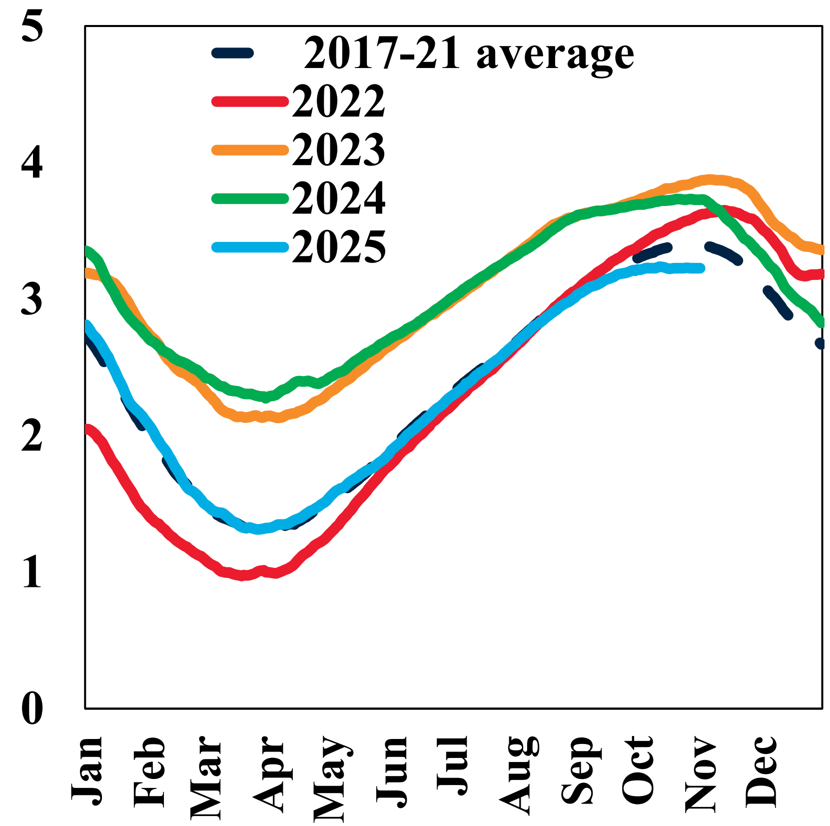
Destinations of U.S. LNG exports

(Percent)



EU inventories of natural gas

(Trillion cubic feet)



Sources: Gas Infrastructure Europe (AGSI+); U.S. Energy Information Administration (EIA); World Bank.

Left Panel. Year-on-year percentage change of forecasted prices for gas from the latest *Commodity Markets Outlook*, October 2025 edition. Middle Panel. AEs = advanced economies; EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; LNG = Liquefied Natural Gas; MNA = Middle East, North Africa, Afghanistan, and Pakistan; SAR = South Asia; SSA = Sub-Saharan Africa. Average share of monthly U.S. LNG shipments between January and August of each year. Poland is included in the European Union bar, not in ECA, to avoid double counting. Right Panel. Sample includes 20 EU countries and the United Kingdom. Last observation is November 1, 2025.

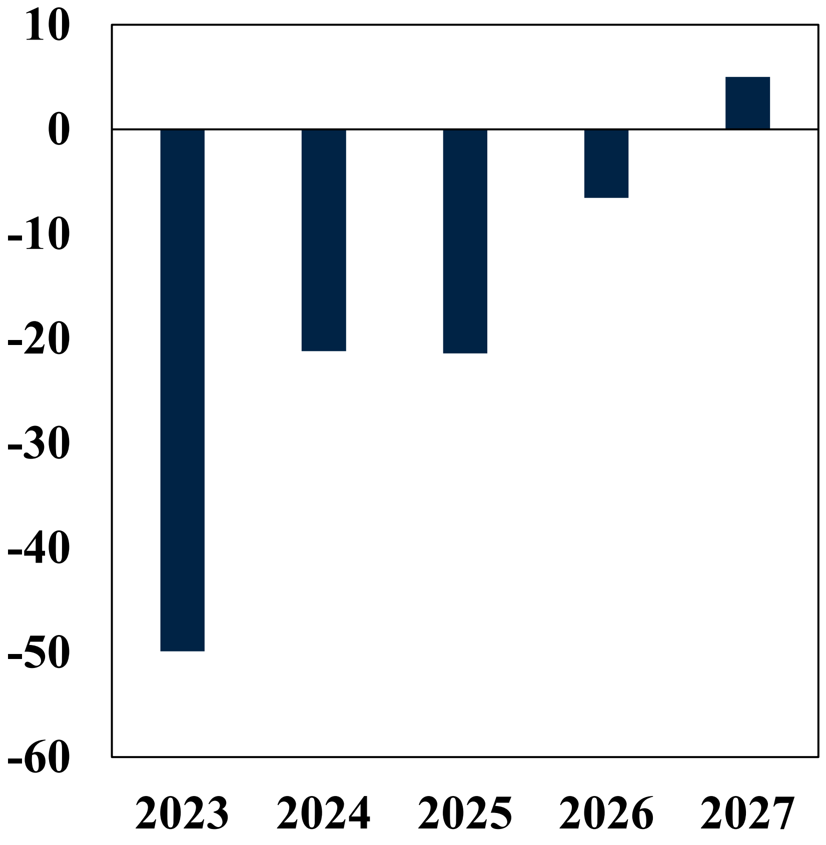
THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

Falling Coal Prices amid Plateauing Global Consumption

Softening demand in China reflected by lower seaborne exports

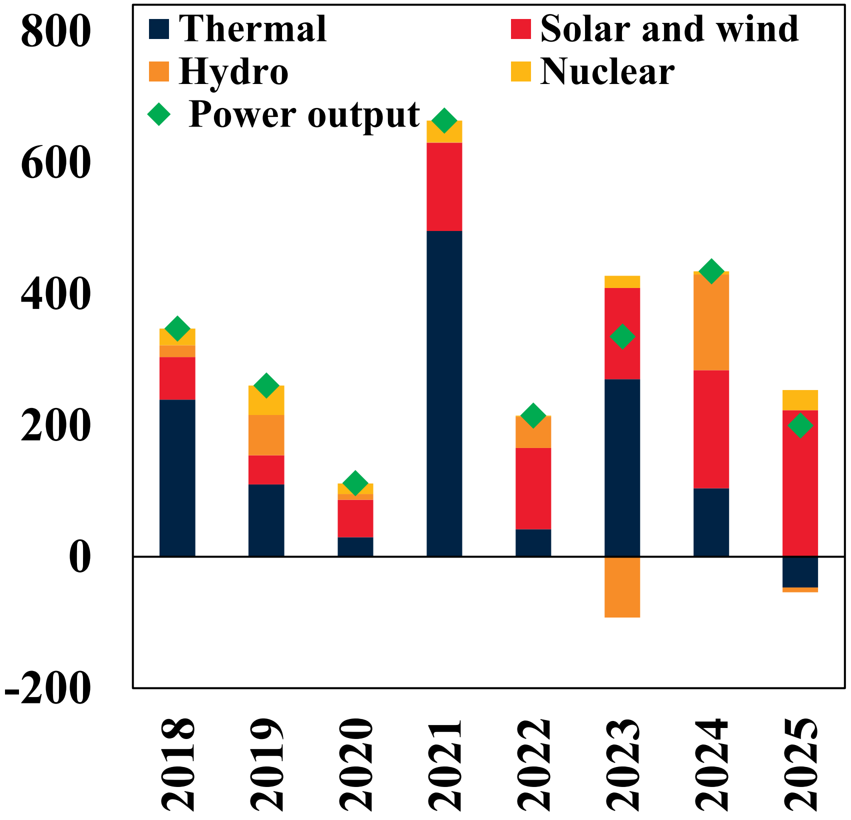
Changes in coal prices

(Percent change, y-o-y)



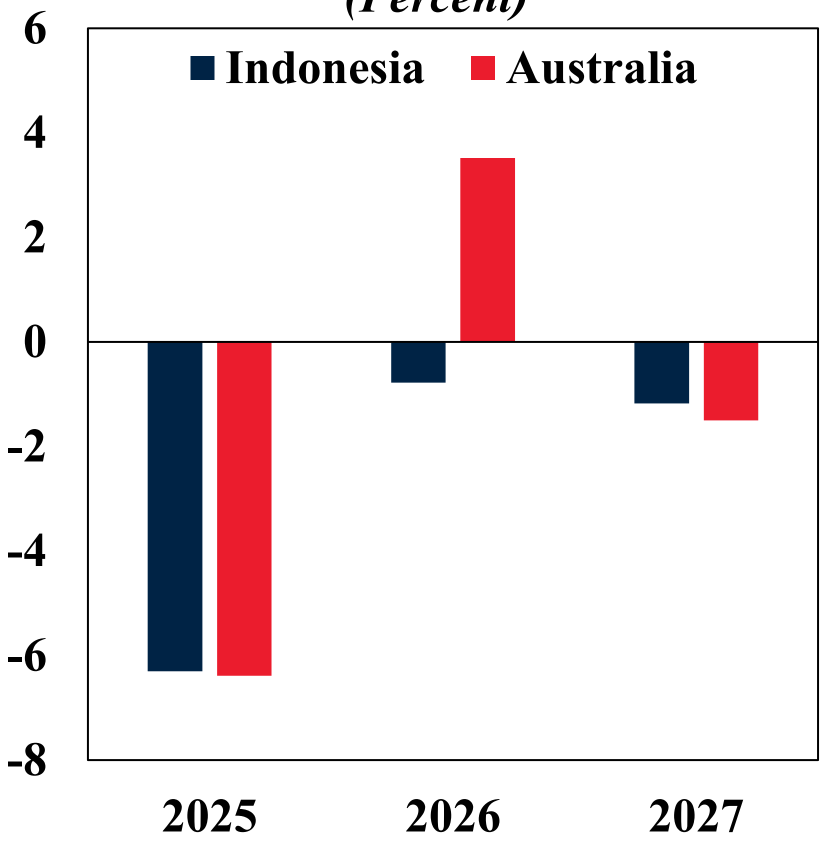
Changes in China's power generation by source

(TWh)



Changes in coal exports among major exporters

(Percent)



Sources: Australian Government, Department of Industry, Science, and Resources; Bloomberg; National Bureau of Statistics of China (NBS); World Bank.
Left Panels. Year-on-year percentage change of past and forecasted prices for coal with forecasts from the latest *Commodity Markets Outlook*, October 2025 edition. Middle Panel. TWh = terawatt hour. Composition of China's power output growth by source. "Thermal" includes oil, natural gas, and coal. Data show the average from January to September for each year.
Right Panel. Annual data of Australia's and Indonesia's thermal coal exports.

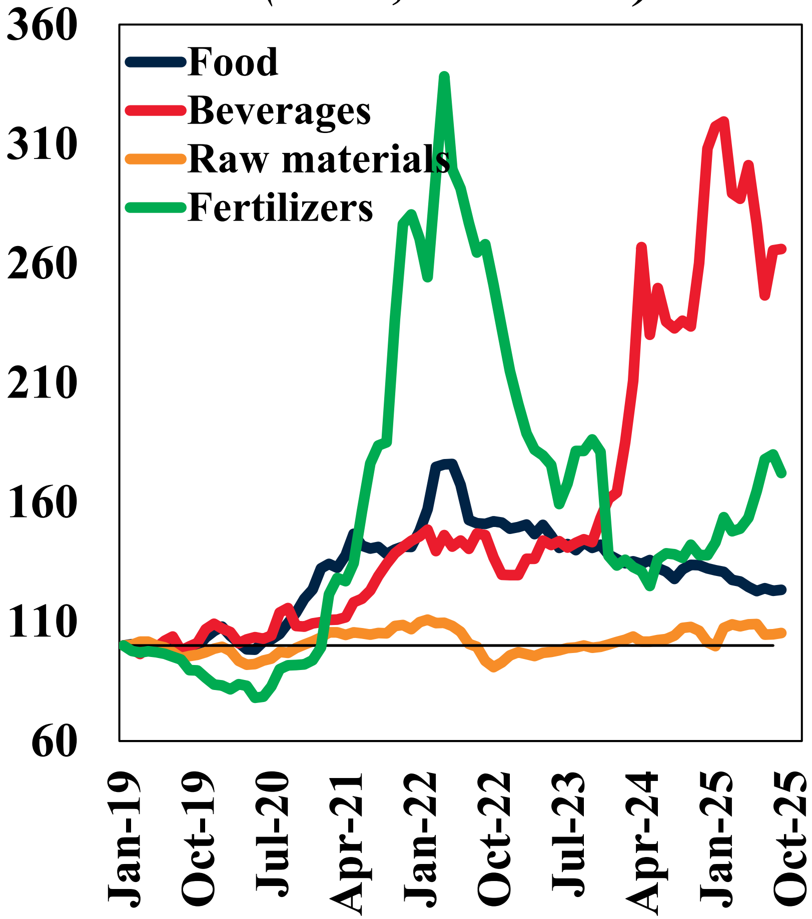
THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

Agriculture

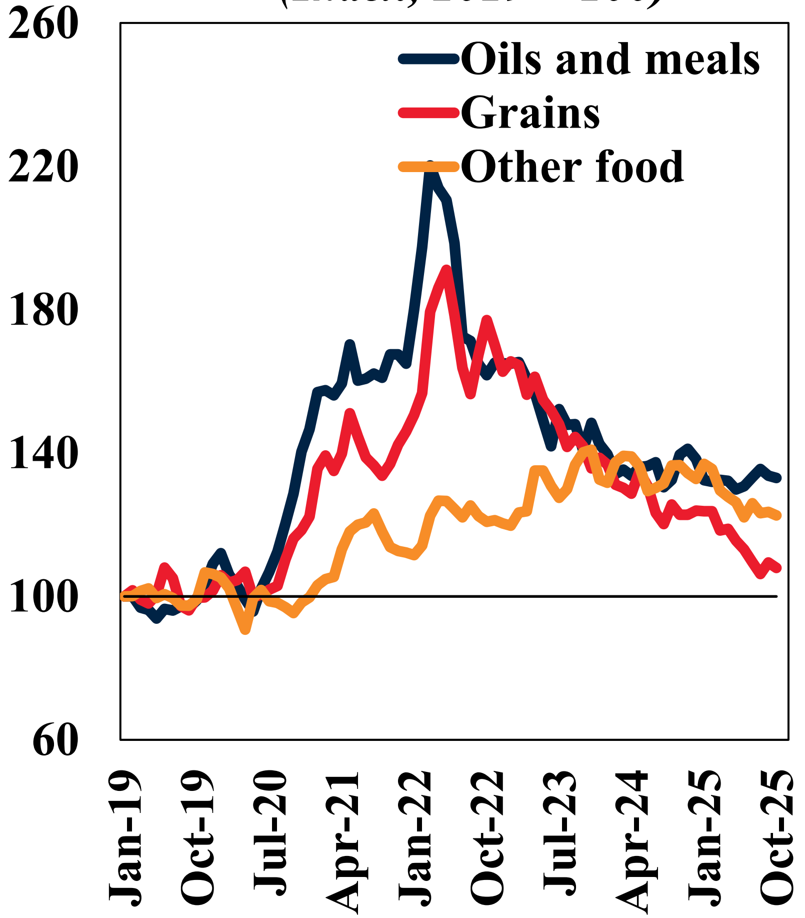
Agricultural Prices Weakening

Food, beverage, and raw material prices are falling, but a new spike in fertilizers

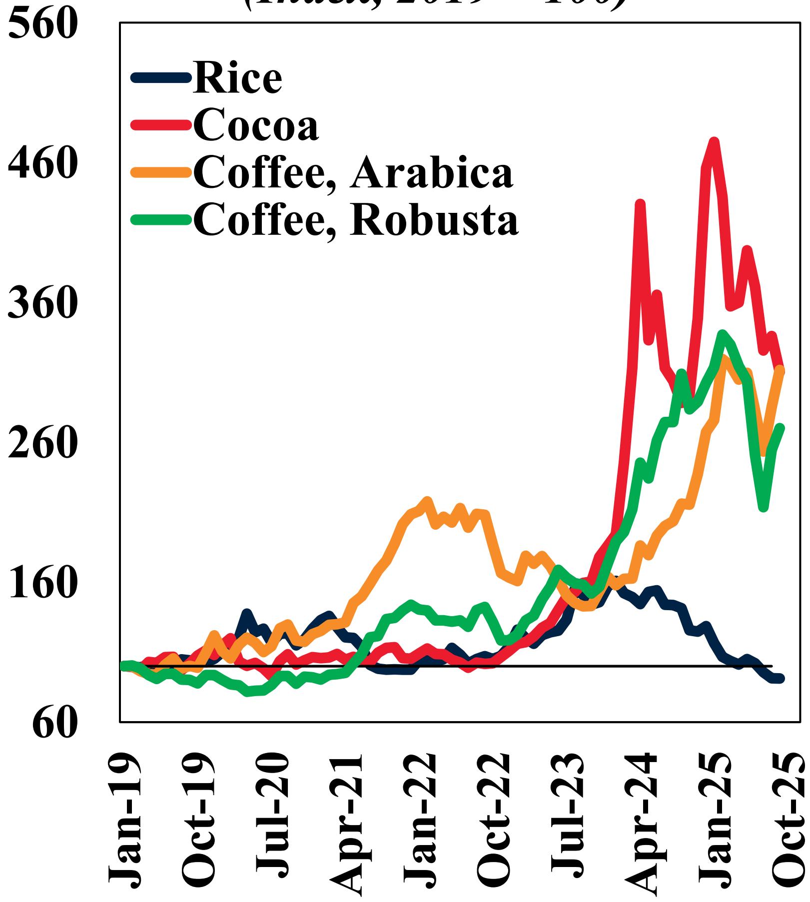
Agriculture price indexes
(Index, 2019 = 100)



Food price indexes
(Index, 2019 = 100)



Rice and beverage prices
(Index, 2019 = 100)

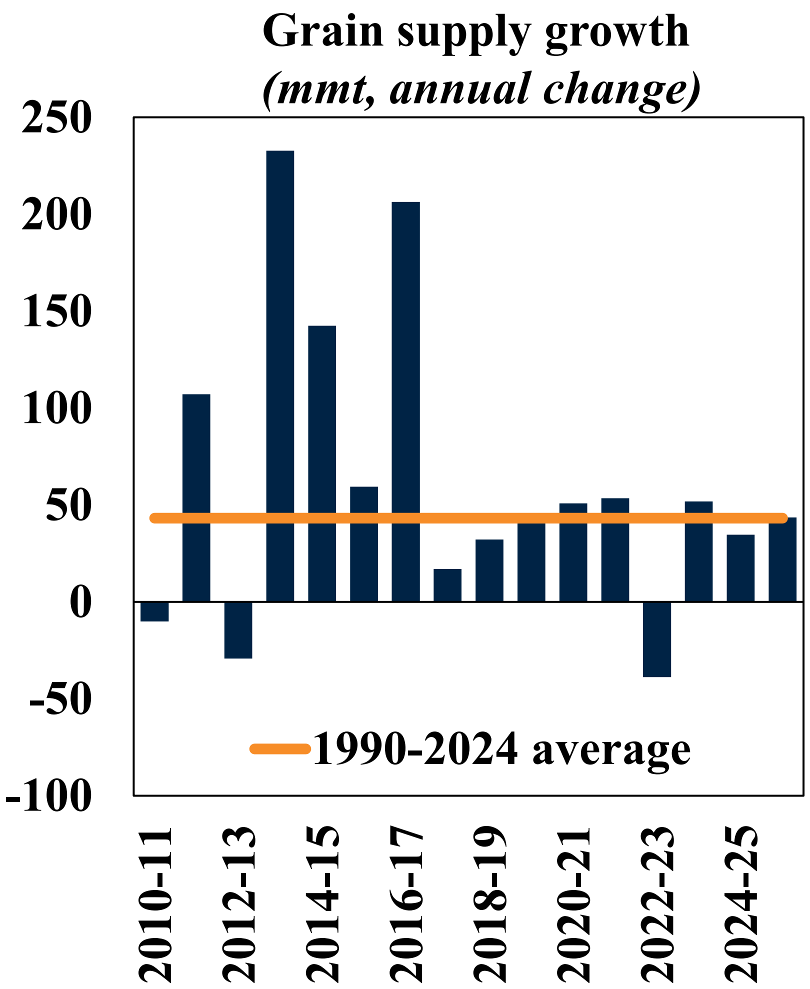


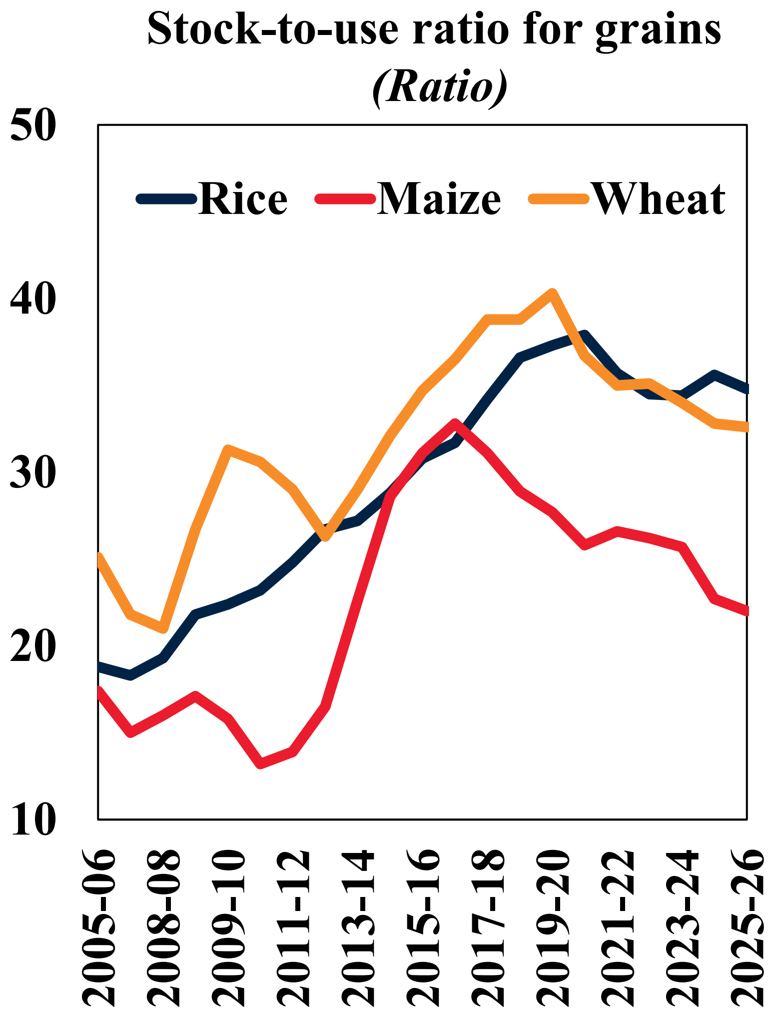
Source: World Bank.
Note: Monthly data, last observation is October 2025.

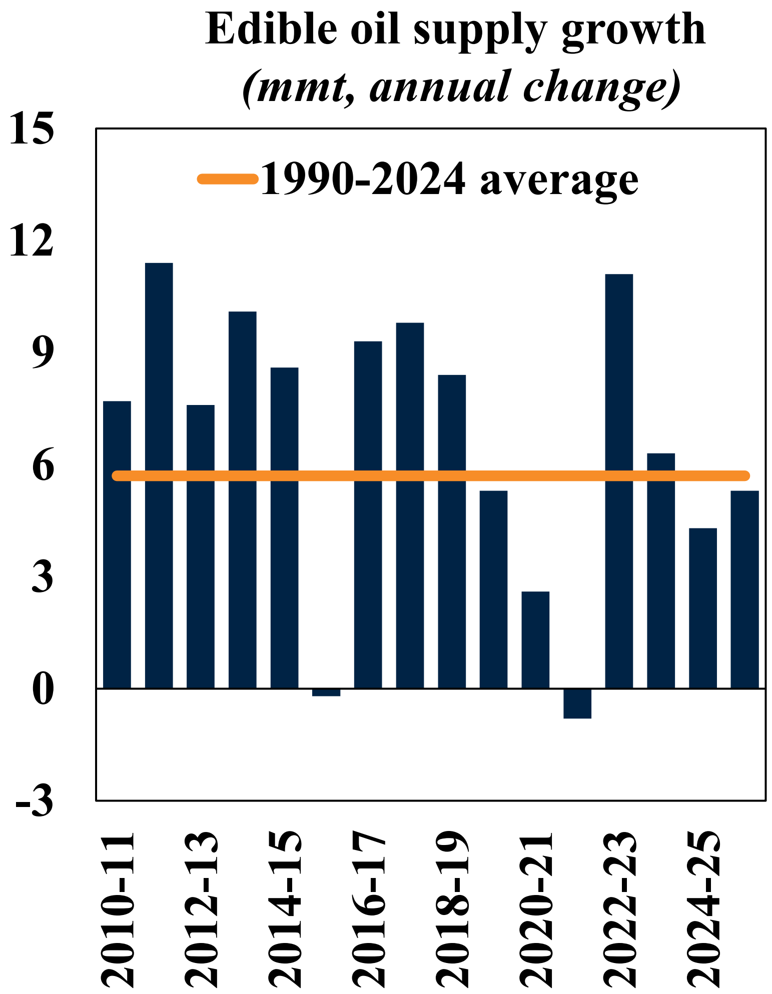
THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

Grain and Edible Oil Supply Outlook for 2025-26

Supply returning to long-term trend; supply and consumption expanding for edible oils







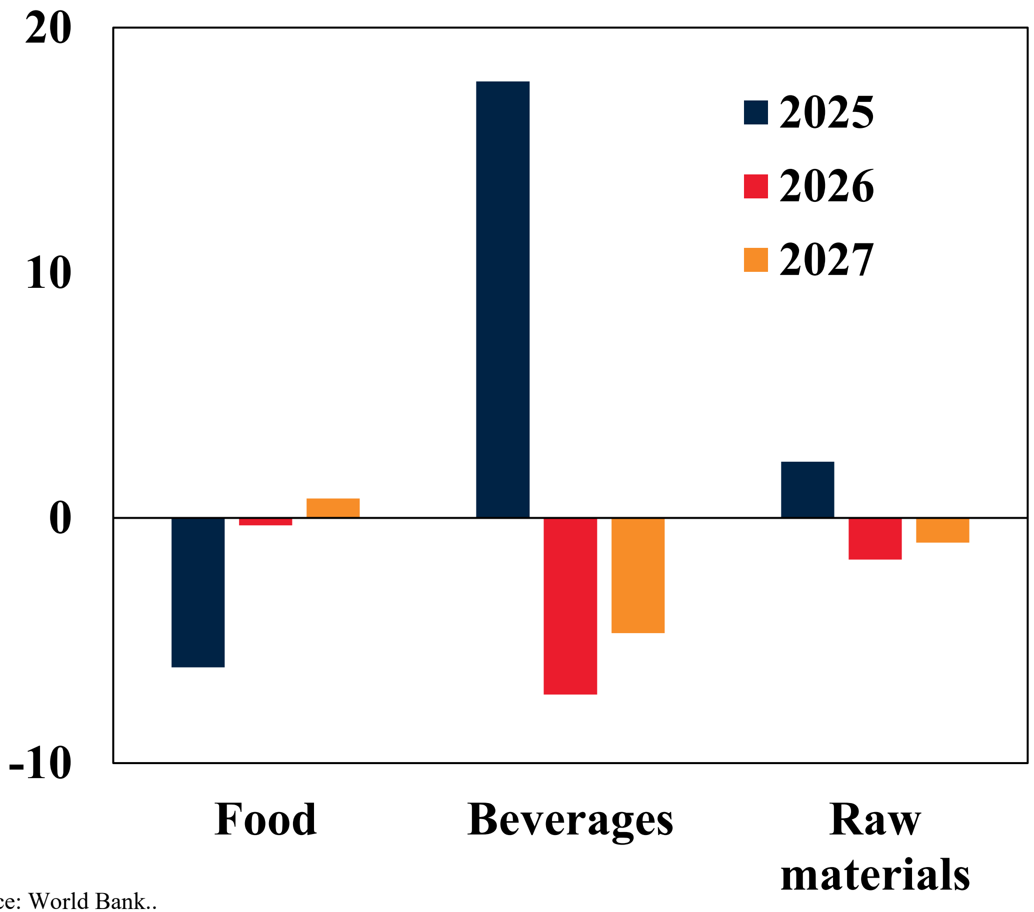
Sources: World Agricultural Supply and Demand Estimates; World Bank.
Note: Year spans indicate crop seasons. Data updated as of October 19, 2025.mmt= million metric tons. Supply is the sum of beginning stocks and production, and excludes imports. Left Panel. Grains include barley, maize, rice, oats, rye, sorghum, and wheat. Middle Panel. Stock-to-use ratio is the ratio of domestic consumption to end-season stocks.
Right Panel. Edible oils include coconut oil, cottonseed oil, palm oil, palm kernel oil, peanut oil, rapeseed oil, soybean oil, and sunflower seed oil.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

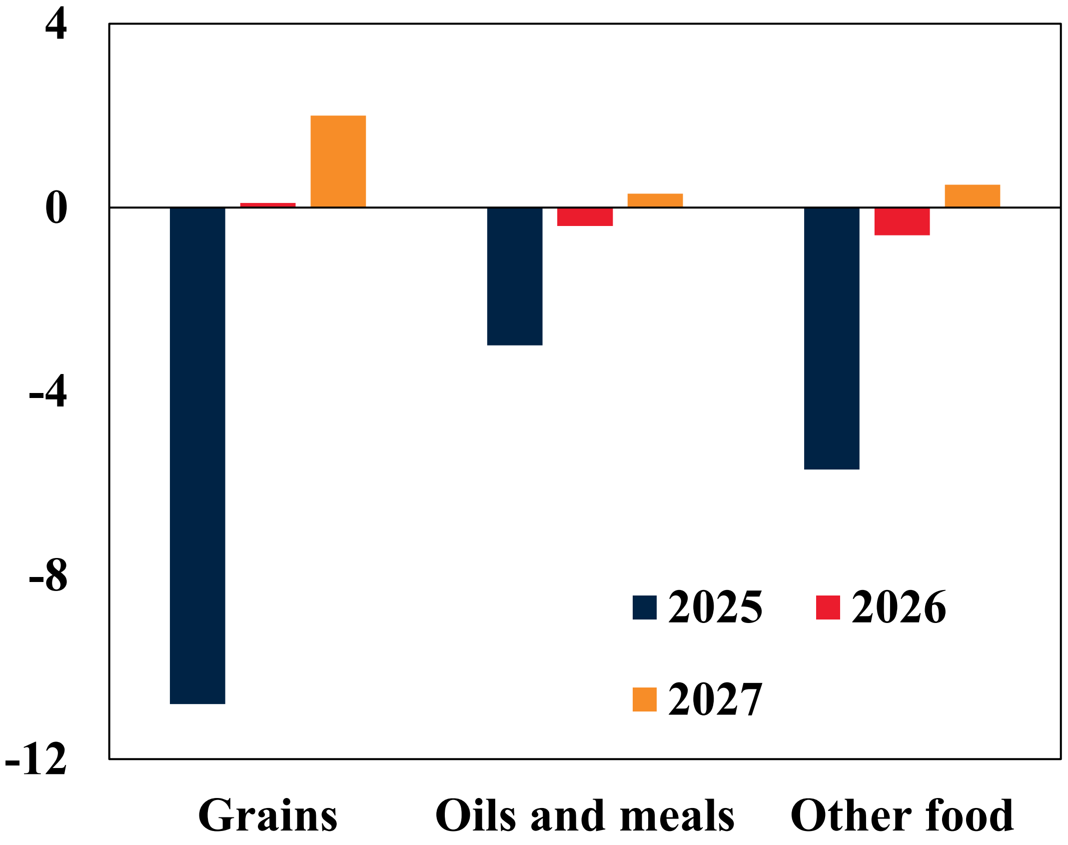
Agricultural Price Forecasts

Broadly stable food and raw materials and declining beverage prices in 2026-27

Agriculture price indexes
(Percent change, year-on-year)



Food prices
(Percent change, year-on-year)



Source: World Bank..
Note: Rice prices refer to the Thai, 5% benchmark. Year-on-year change in prices, as based on Commodity Markets Outlook, April edition (forthcoming). 2025-27 refer to forecasts.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

Key Risks to Agricultural Price Outlook

Direction of risks is broadly balanced

Downside risks:

- Weaker-than-expected demand for biofuel
- Lower-than-expected global growth

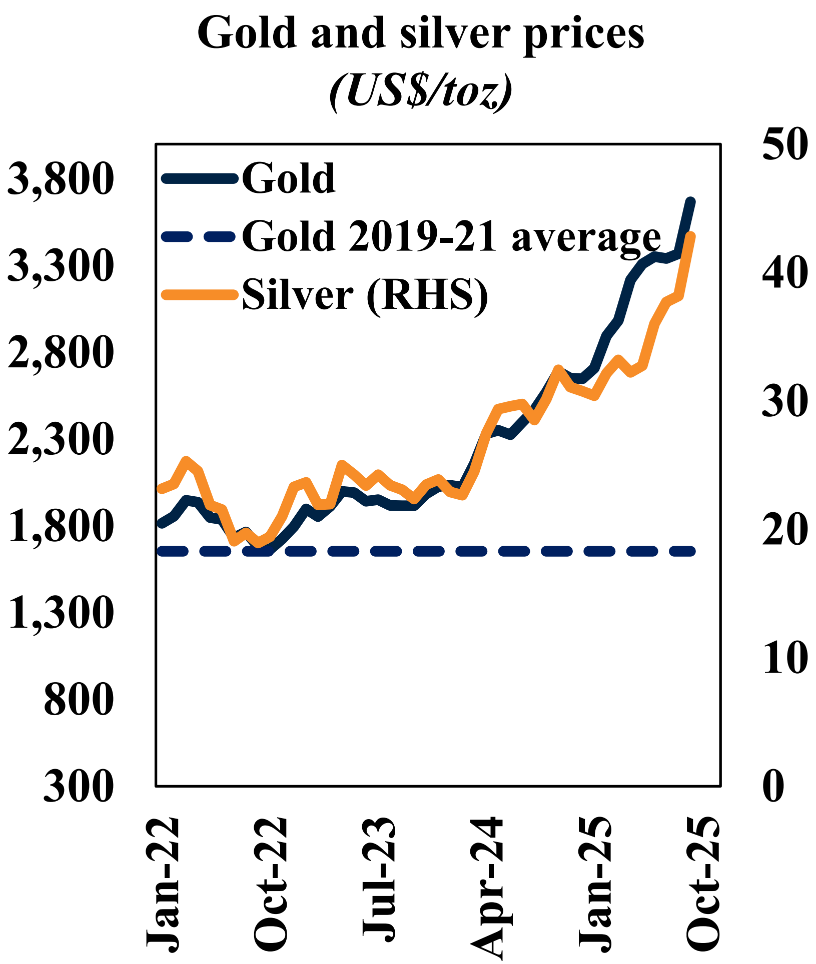
Upside risks:

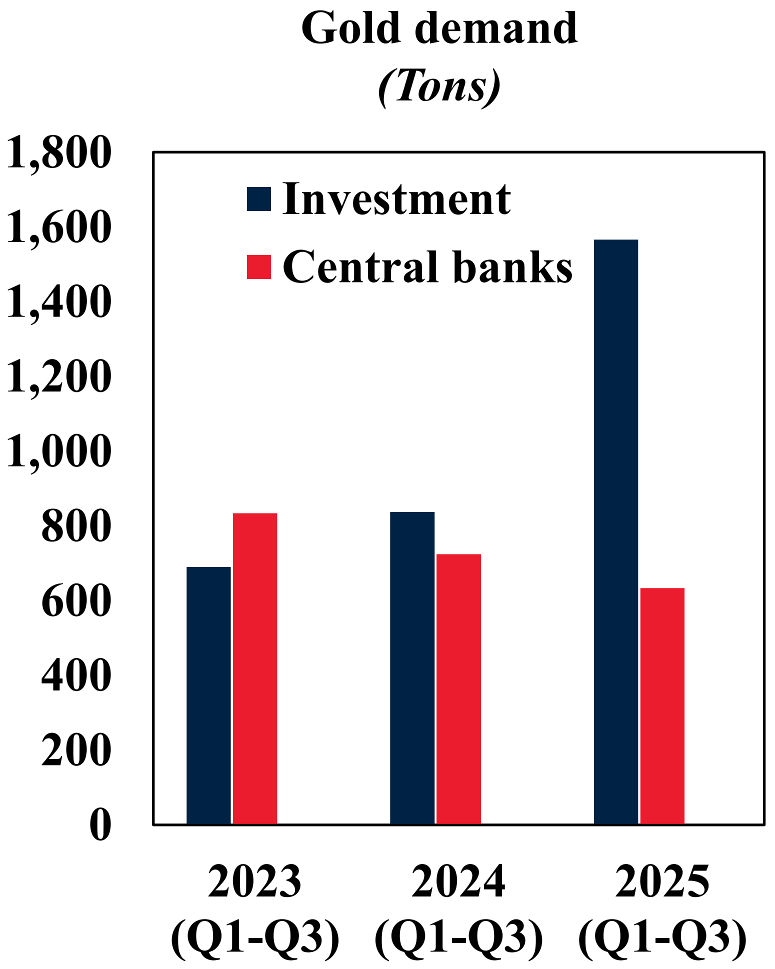
- Reduced trade tensions
- Stronger or more prolonged than expected La Niña
- Higher-than-projected fertilizer costs

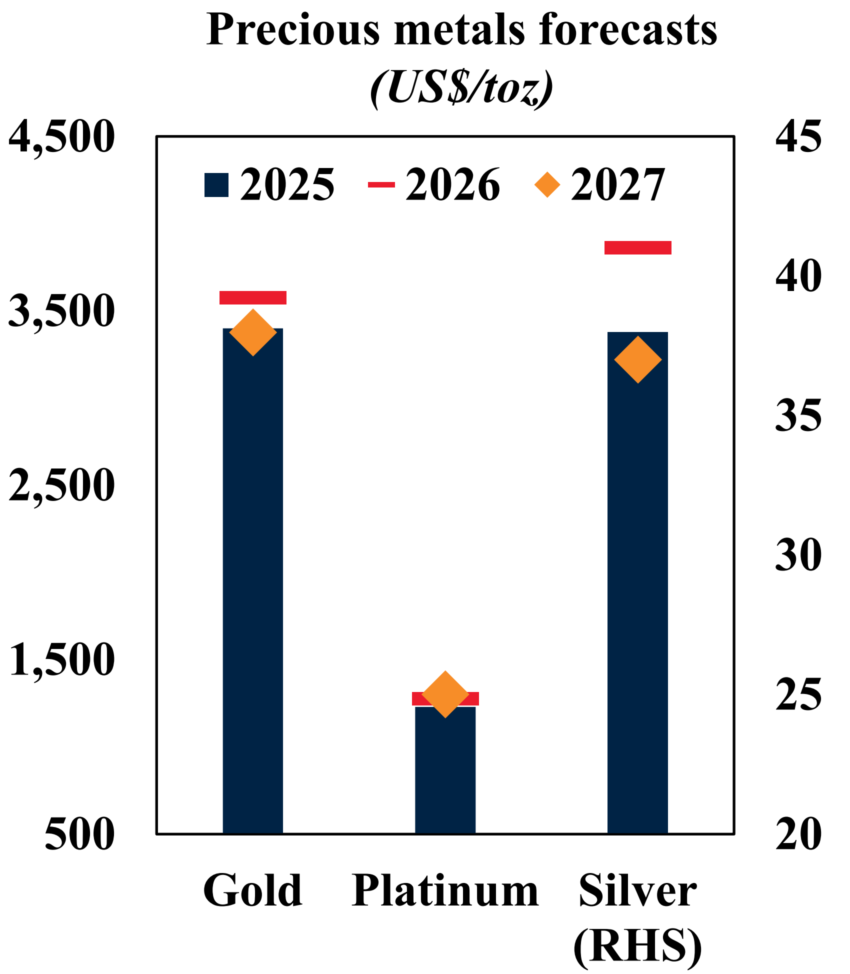
Metals and Minerals

Precious Metal Prices Surged to New Record Highs

Gold and silver prices set to increase further in 2026







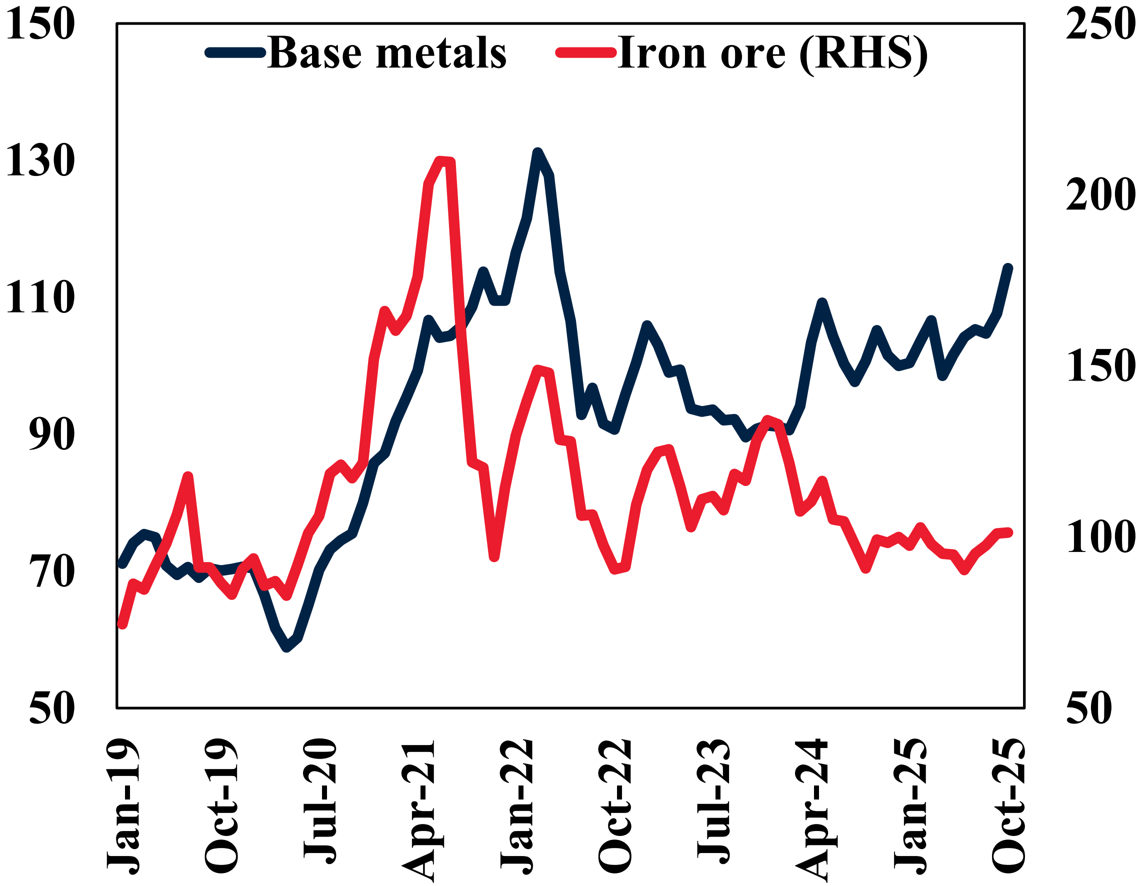
Sources: Bloomberg; World Bank.
Left Panel. Monthly data, last observation is October 2025. Centre panel: Bars show year-on-year change in components of gold demand. Right Panel. Year-on-year change in precious metal prices.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

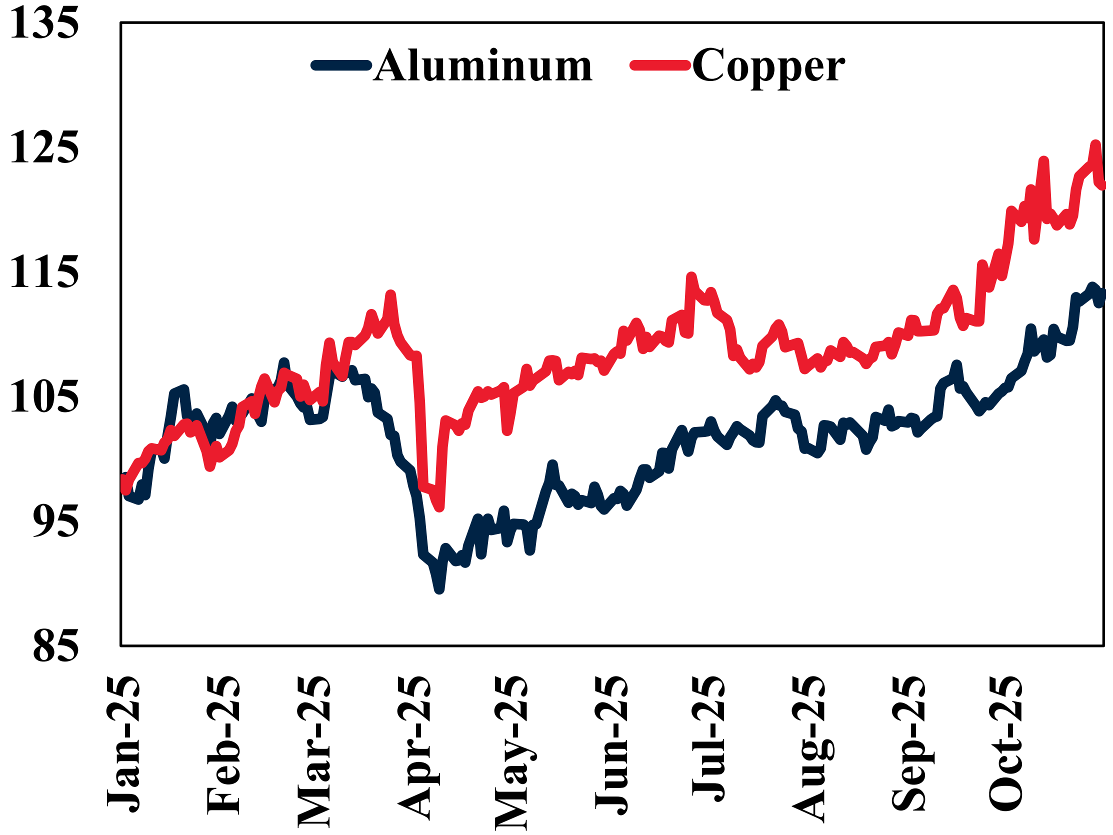
Base Metal Prices Rebounded in the Third Quarter

Led by aluminum and copper, supported by firming activity and front-loaded demand

Base metal index and iron ore prices
(Index, December 2024 = 100)



Aluminum and copper prices
(Index, December 2024 = 100)



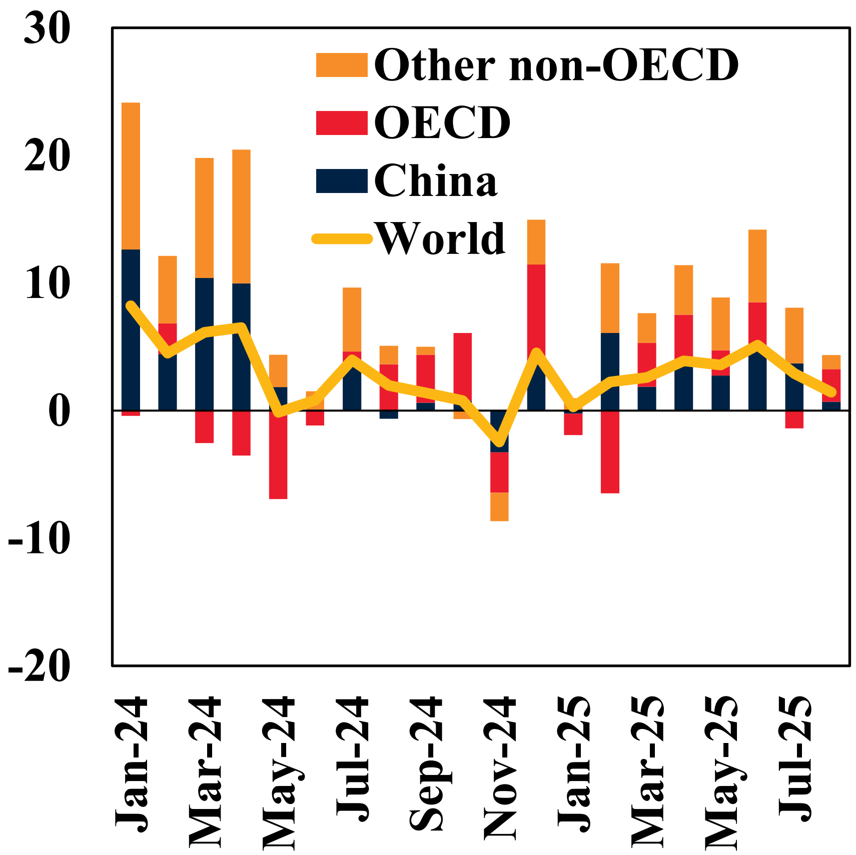
Sources: Bloomberg; World Bank..
Left Panel. Last observation is October 2025. Right panel: Daily aluminum and copper prices. Last observation is October 31, 2025.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP
Development Economics • Prospects

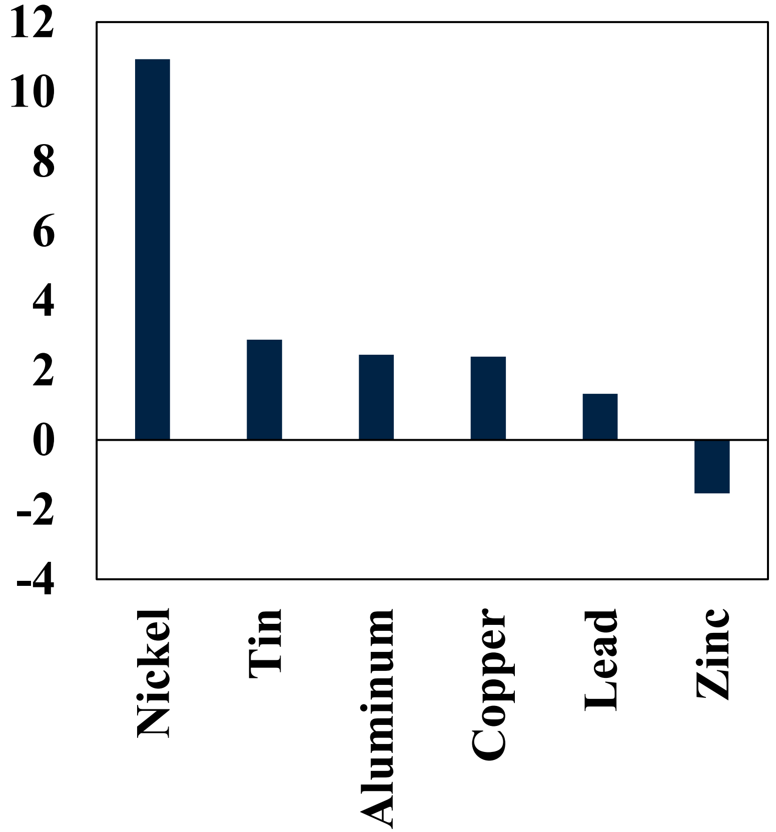
Metal Prices Expected to Remain Broadly Stable

Demand growth to remain subdued; supply constraints set to increase

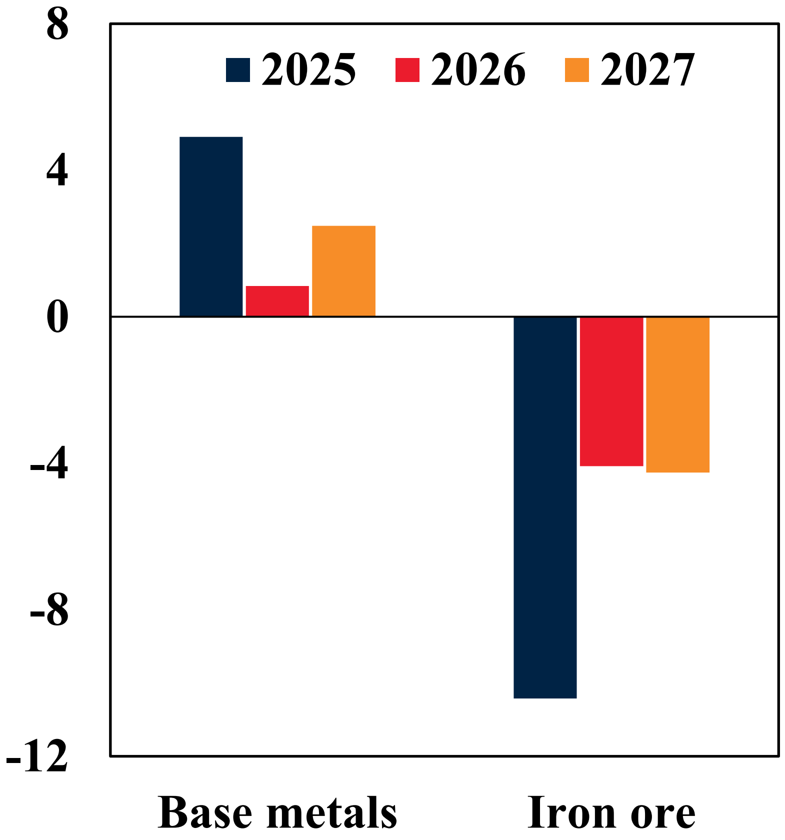
Metal demand growth
(Percent, year-on-year)



Base metal production growth, 2025
(Percent, year-on-year)



Base metals and iron ore forecast
(Percent, year-on-year)



Sources: Bloomberg; World Gold Council; World Bank.
Left Panel. Last observation is August 2025. Centre panel: Year-on-year change in metals production for the period January to August compared to the same period in 2024. Right panel: Bars show year-on-year change.

Key Risks to the Metals and Minerals Price Outlook

Base metals: Risks tilted to the downside; Precious metals: Risks tilted to the upside

Base metals

Downside risks:

- Weaker-than-expected global growth

Upside risks:

- Production disruptions
- Commodity-specific trade restrictions
- Faster-than-expected expansion of data centers

Precious metals

Downside risks:

- Durable easing of geopolitical tensions
- Lower central bank purchases (gold) or softer industrial demand (silver)
- Tighter-than-expected U.S. monetary policy or faster-than-anticipated disinflation

Upside risks:

- Escalation of geopolitical tensions or financial instability
- Higher or stickier inflation