

Commodity Markets Outlook

Recent Developments, Prospects, and Risks



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Seminar
World Bank, Tokyo Office

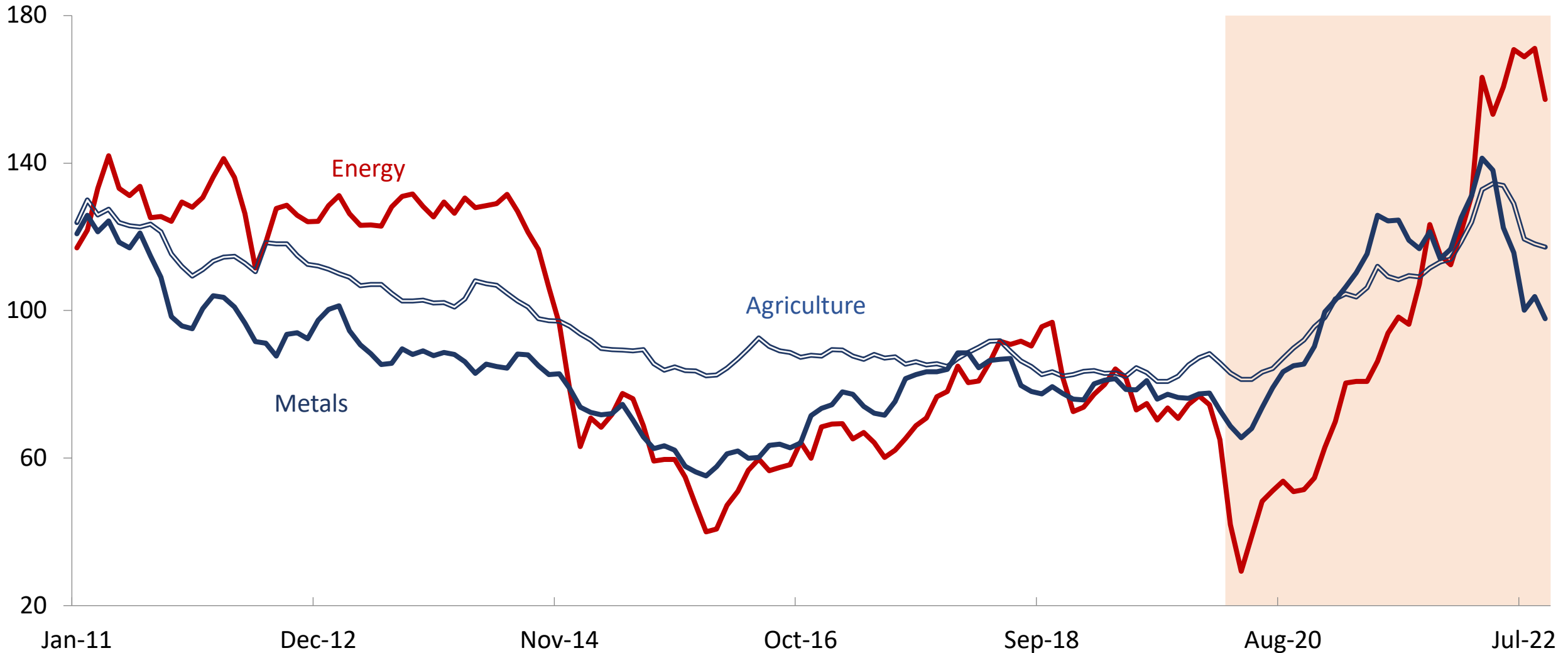
November 1, 2022

Key Messages

- **A sharp global growth slowdown** is weighing on commodity prices. In many economies, however, prices in domestic-currency terms remain elevated because of currency depreciations.
- **Energy prices** are expected to fall 11 percent in 2023 and 12 percent in 2024. **Brent prices** are forecast to average \$92/ bbl in 2023, down from a projected \$100/bbl in 2022, before easing to \$80/bbl in 2024.
- **Agriculture and metal prices** are projected to decline 5 and 15 percent, respectively, in 2023 before stabilizing in 2024.
- **The outlook is subject to numerous risks.**
 - Energy markets face an array of supply concerns as worries about the availability of energy during the upcoming winter intensify in Europe.
 - Higher-than-expected energy prices could pass through to non-energy prices, especially food, prolonging challenges associated with food insecurity.
 - A sharper slowdown in global growth presents a key downside risk, especially for crude oil and metal prices.

Commodity prices are weakening

US\$ index, 2010 = 100

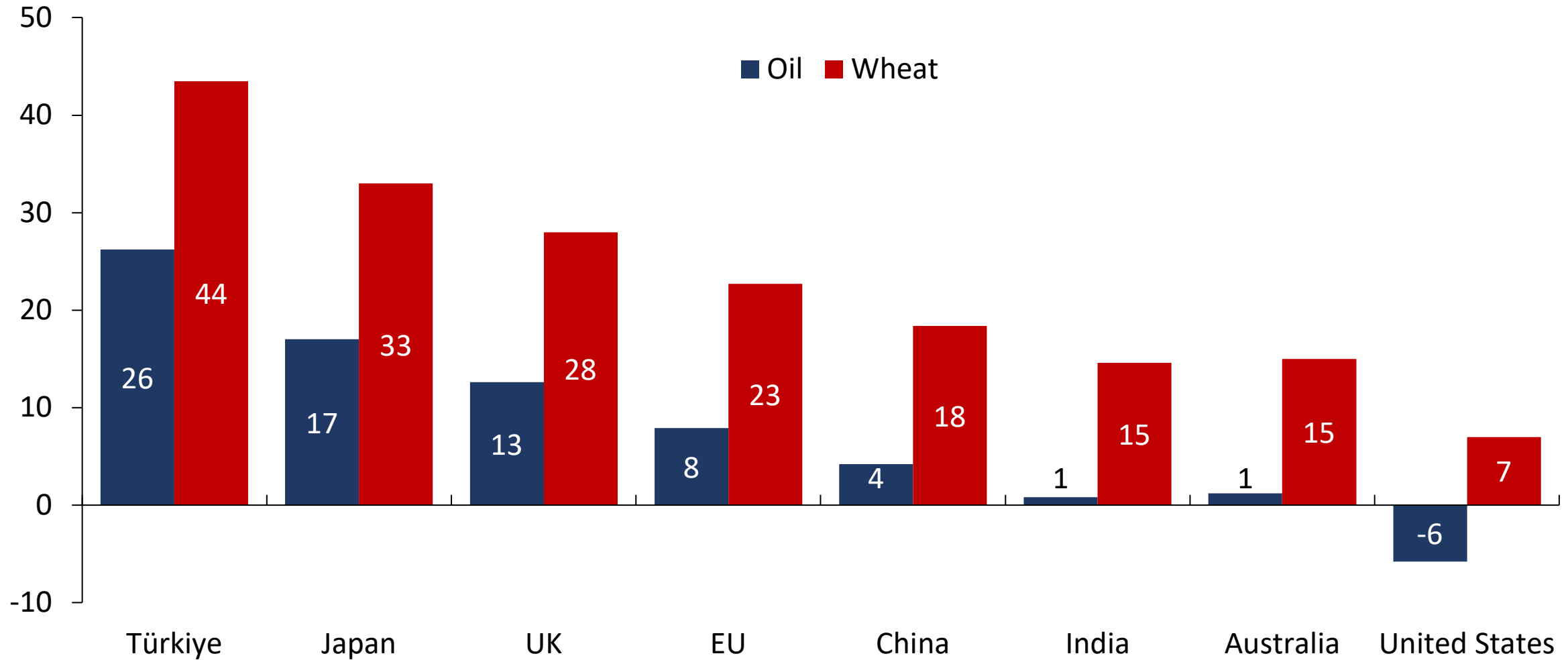


Source: World Bank.

Note: The shaded area corresponds to March 2020 – September 2022 (last observation).

Oil and Wheat price changes in local currencies

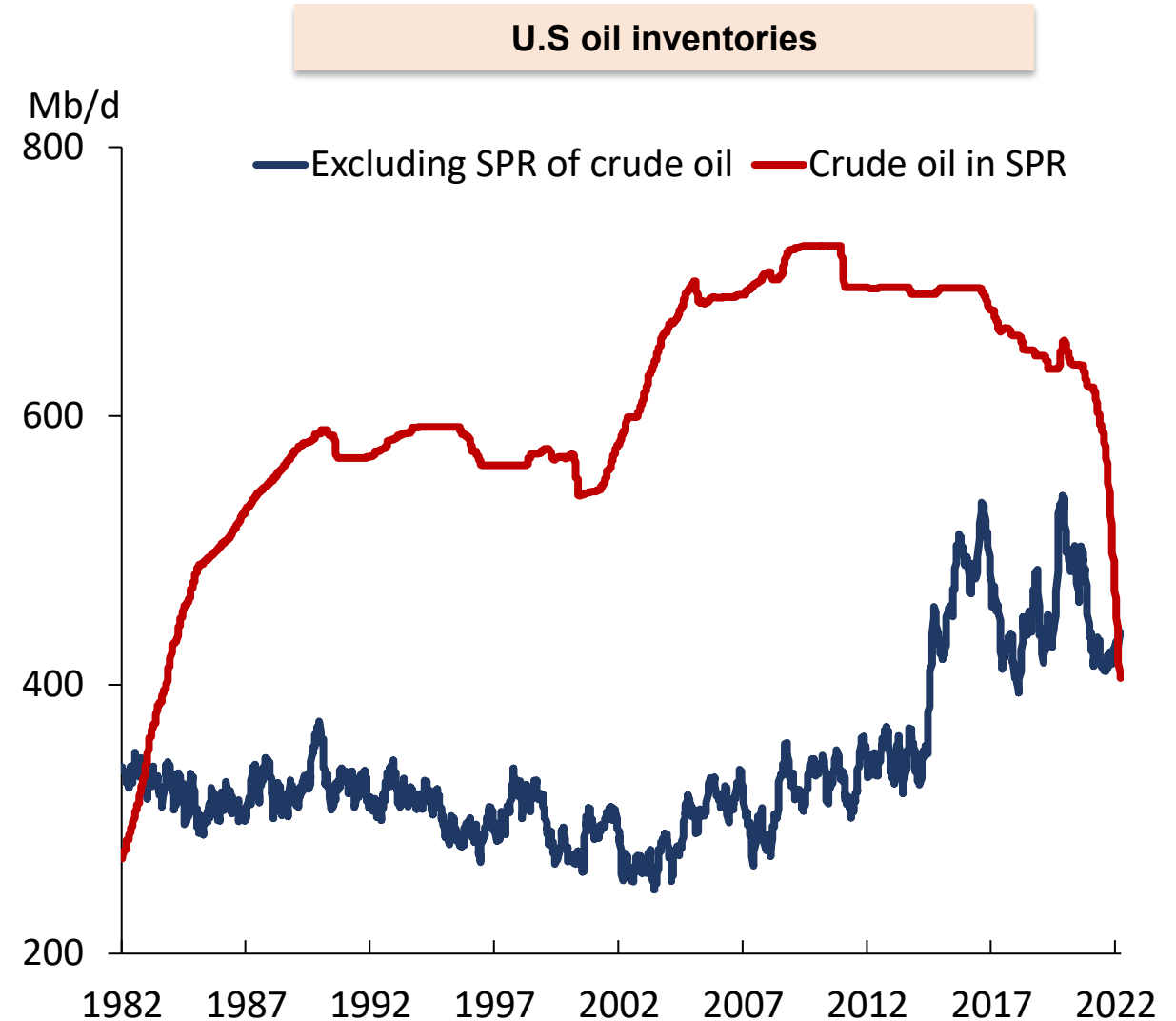
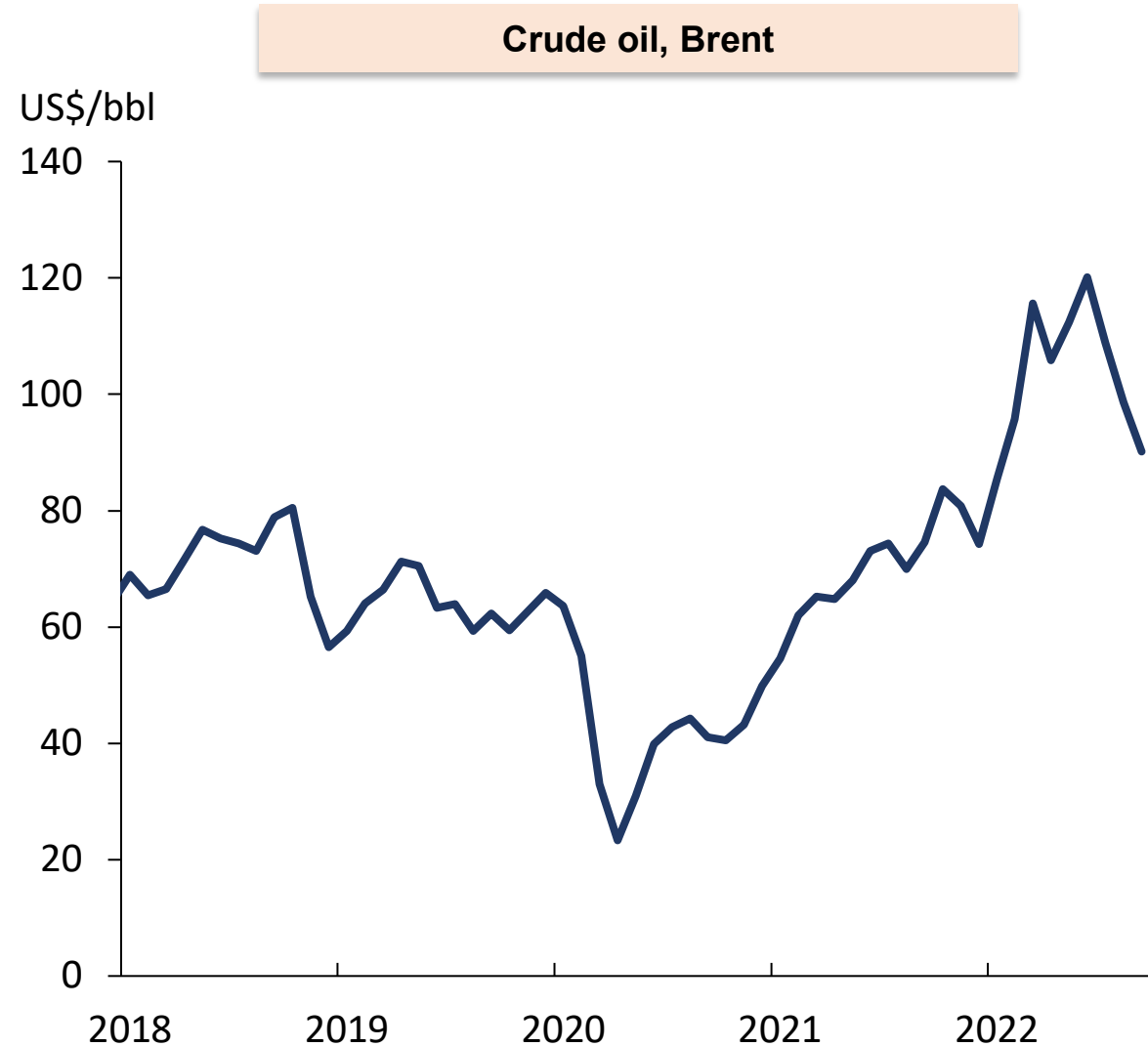
Percent change



Source: World Bank.

Note: Percentage change in prices in local currency terms between February and September 2022.

Brent price and U.S. oil inventories

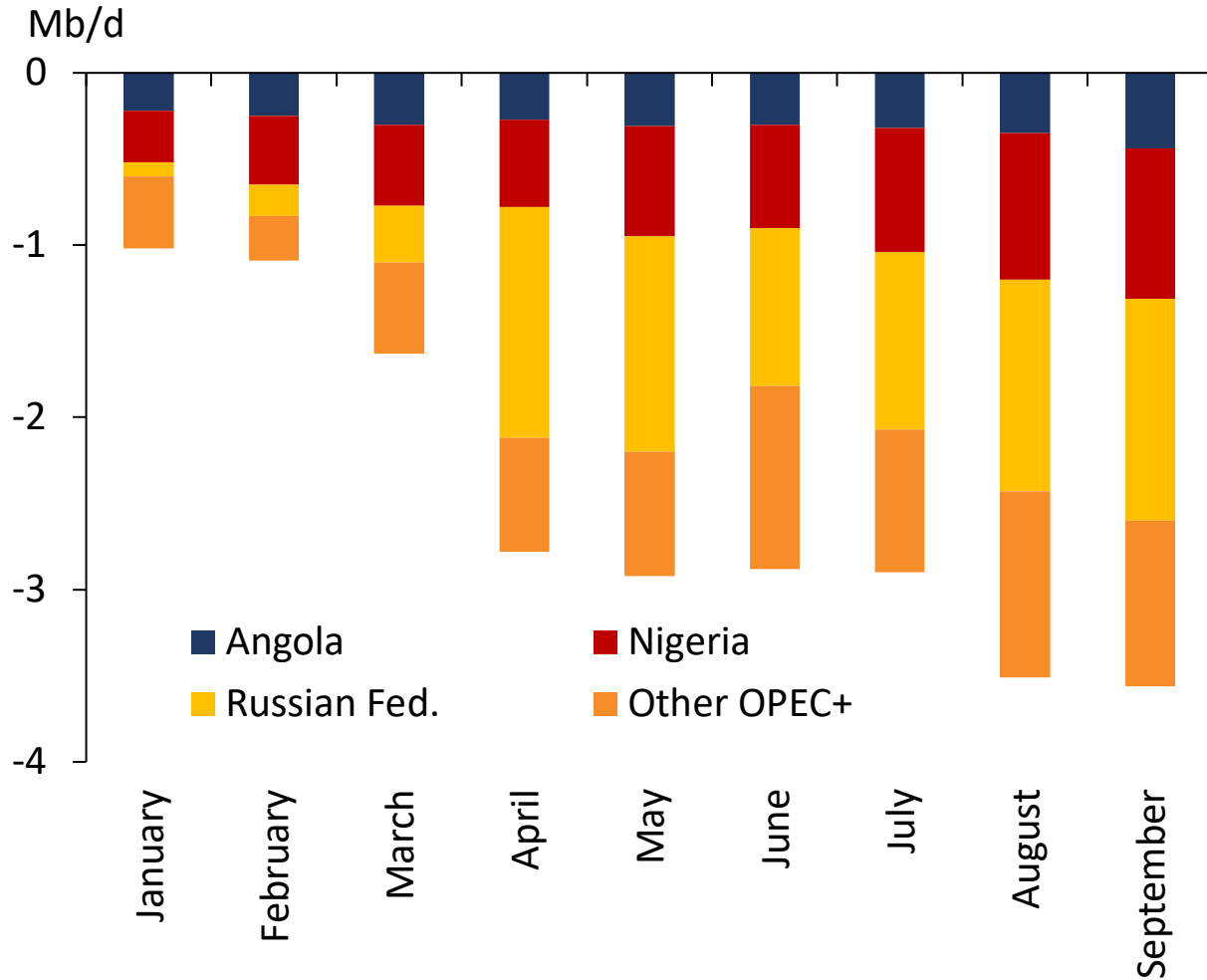


Sources: U.S. Energy Information Administration; World Bank.

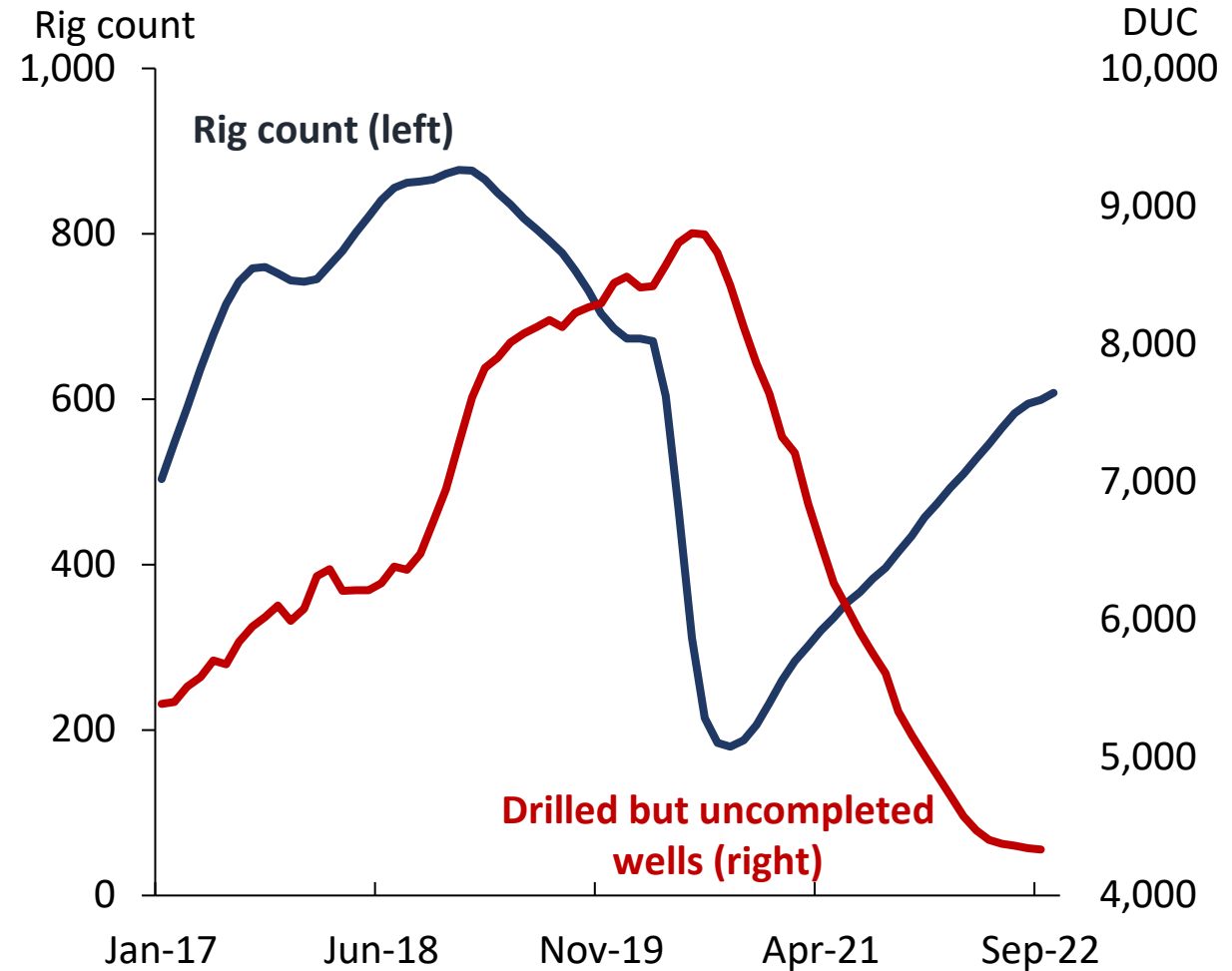
Note: Monthly data, last observation is September 2022 (Crude Oil, Brent). SPR = Strategic Petroleum Reserves. Last observation is the week of October 14, 2022 (U.S. oil inventories).

Shortfall in OPEC+ production from quota and U.S. rig count

Shortfall in OPEC+ production from quota, 2022



U.S. rig count and drilled but uncompleted wells

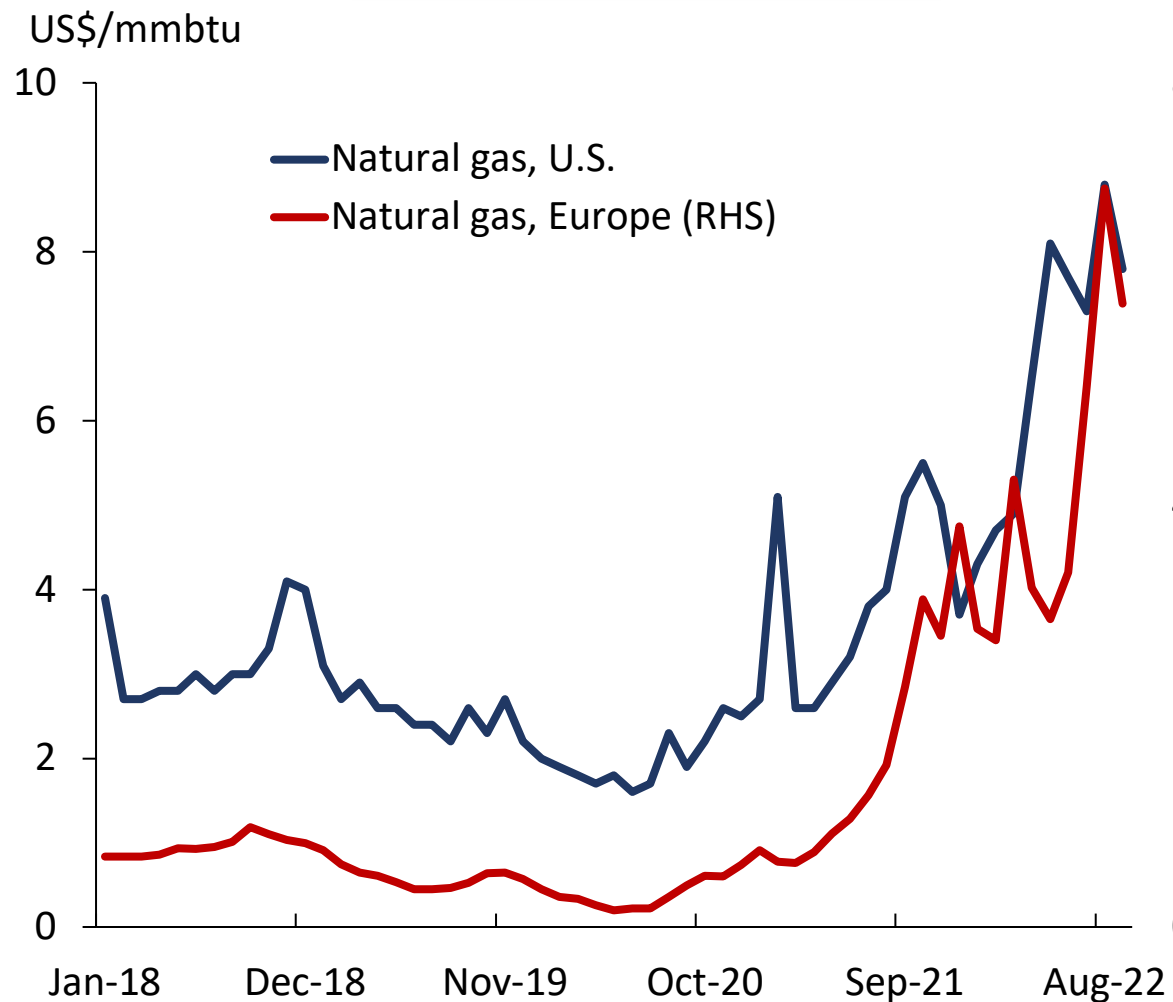


Sources: Baker Hughes; International Energy Agency; U.S. Energy Information Administration; World Bank.

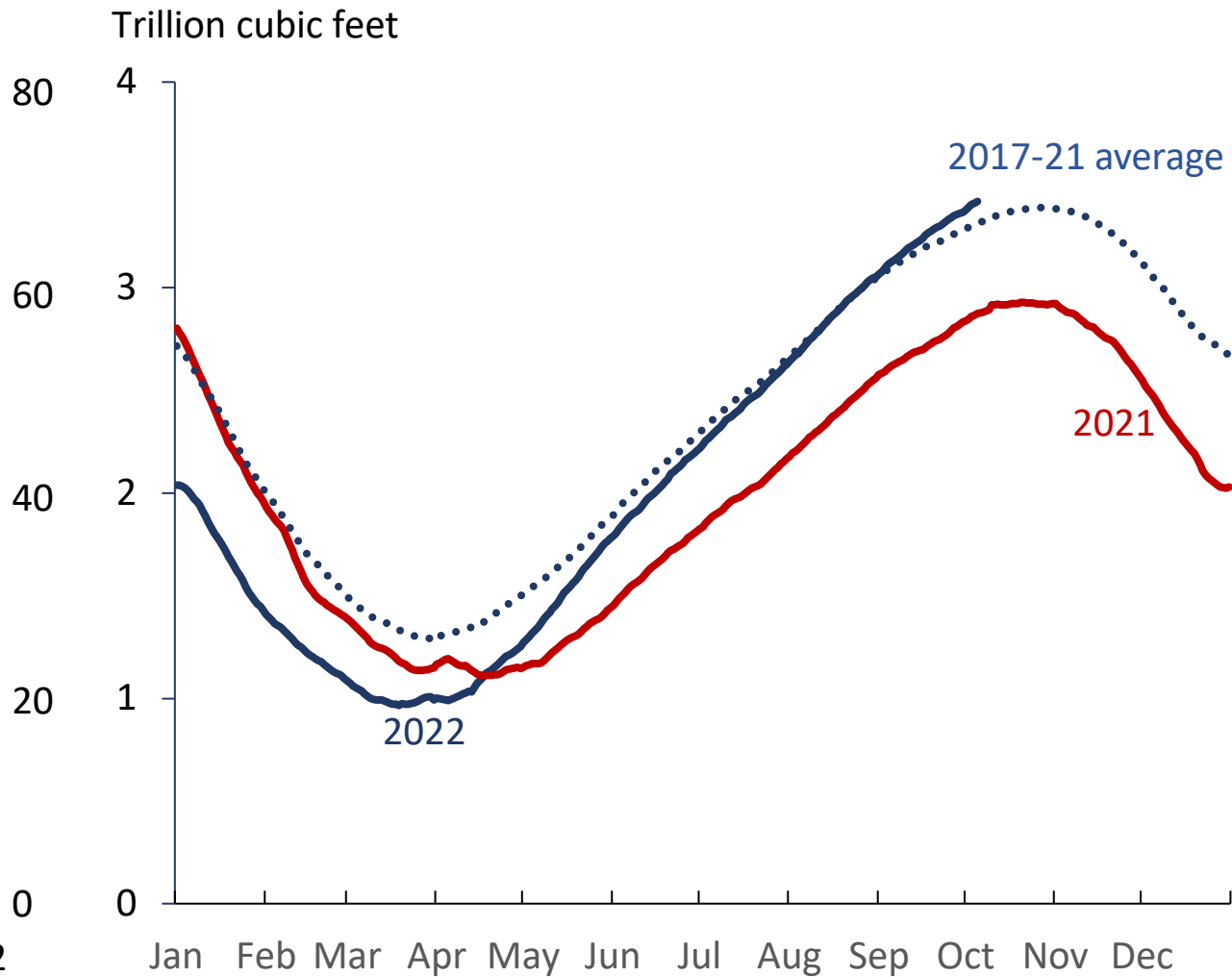
Note: OPEC = Organization of the Petroleum Exporting Countries. Data based on the IEA Oil Market Report October 2022. Last observation is the week of October 21, 2022 for rig count and September 2022 for DUC.

Natural gas prices and European gas inventories

Natural gas prices



European natural gas inventories



Sources: Gas Infrastructure Europe (AGSI+); World Bank.

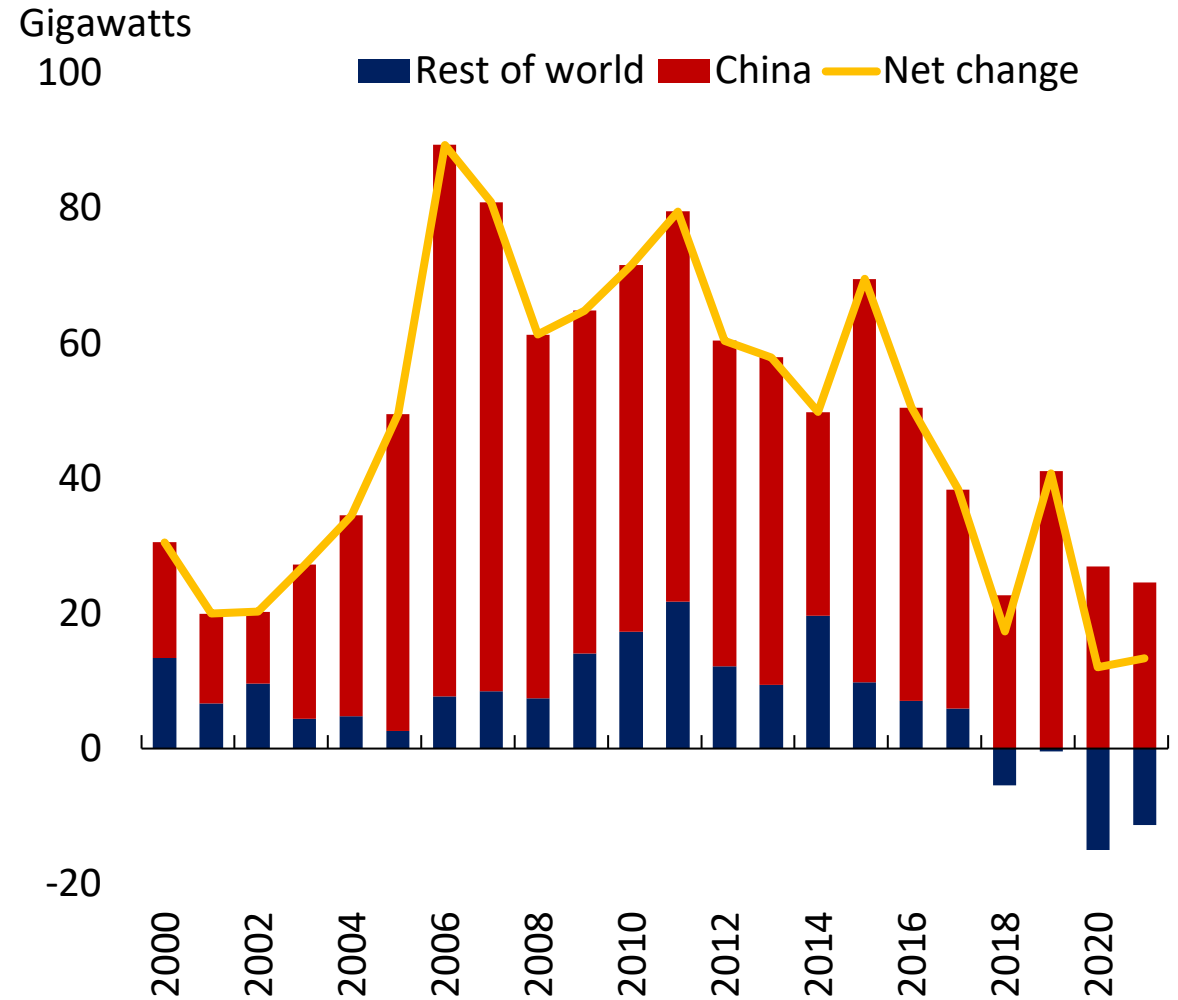
Note: Monthly data. Last observation is September 2022 (Natural gas prices). Sample for natural gas inventories includes 20 EU countries and the United Kingdom. Last observation is October 5, 2022.

Coal prices and net new coal plant additions

Coal prices



Net new coal plant additions

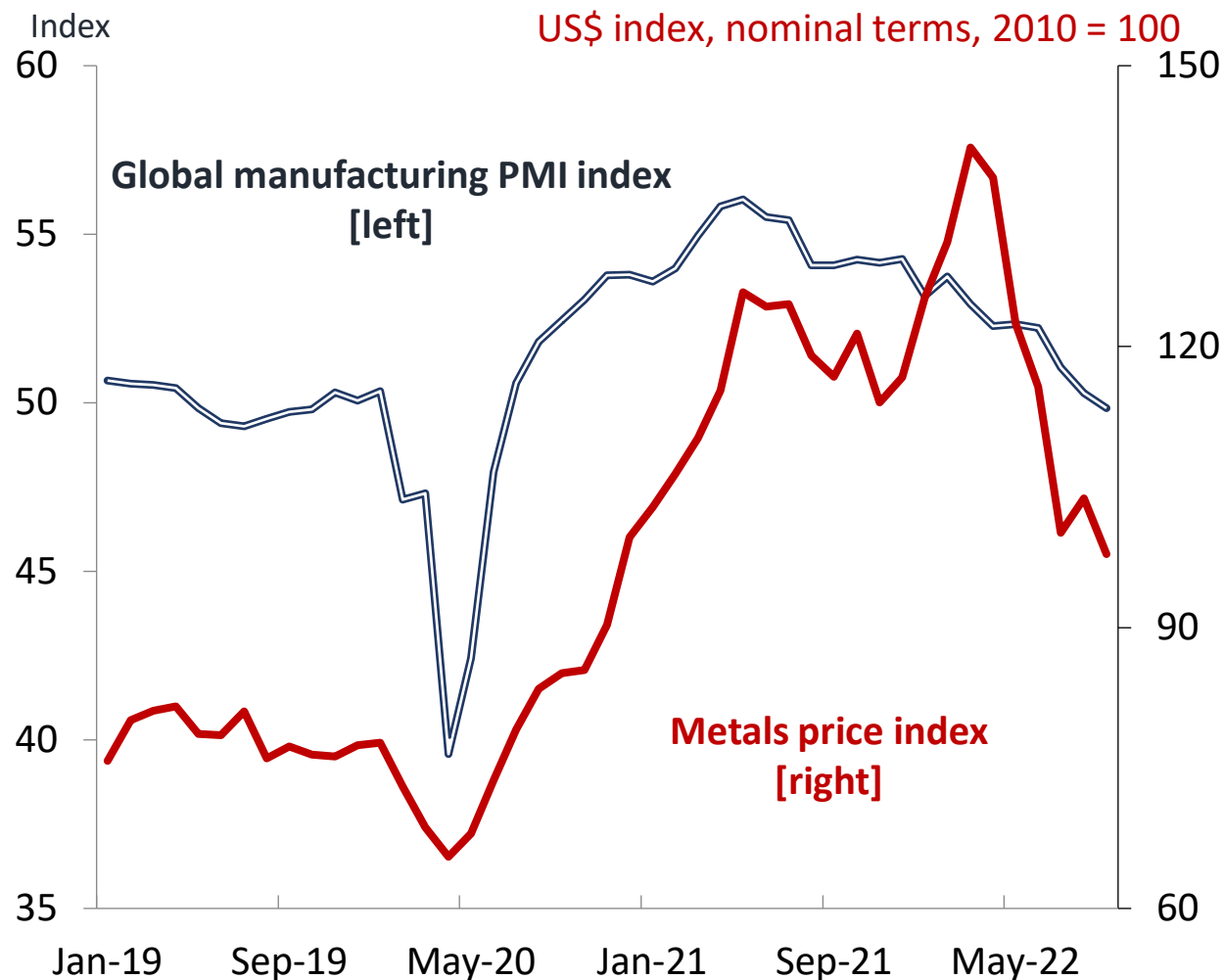


Sources: Global Energy Monitor; World Bank.

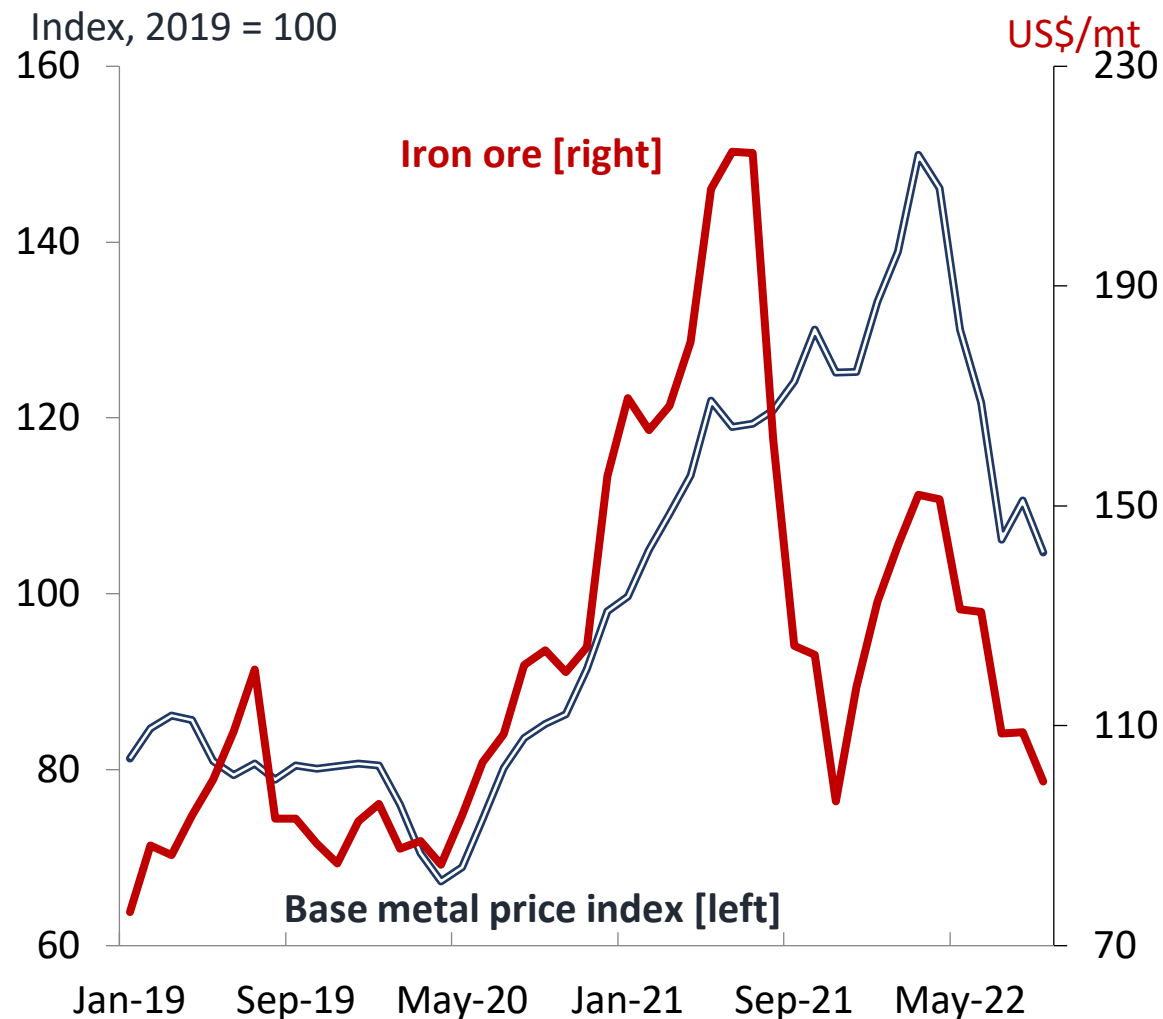
Note: Monthly data for coal. Last observation is September 2022 (Australian benchmark). Last observation is 2021 (new coal plant additions).

Plunging metals prices and PMI

Metal price index and PMI



Base metals index and iron ore

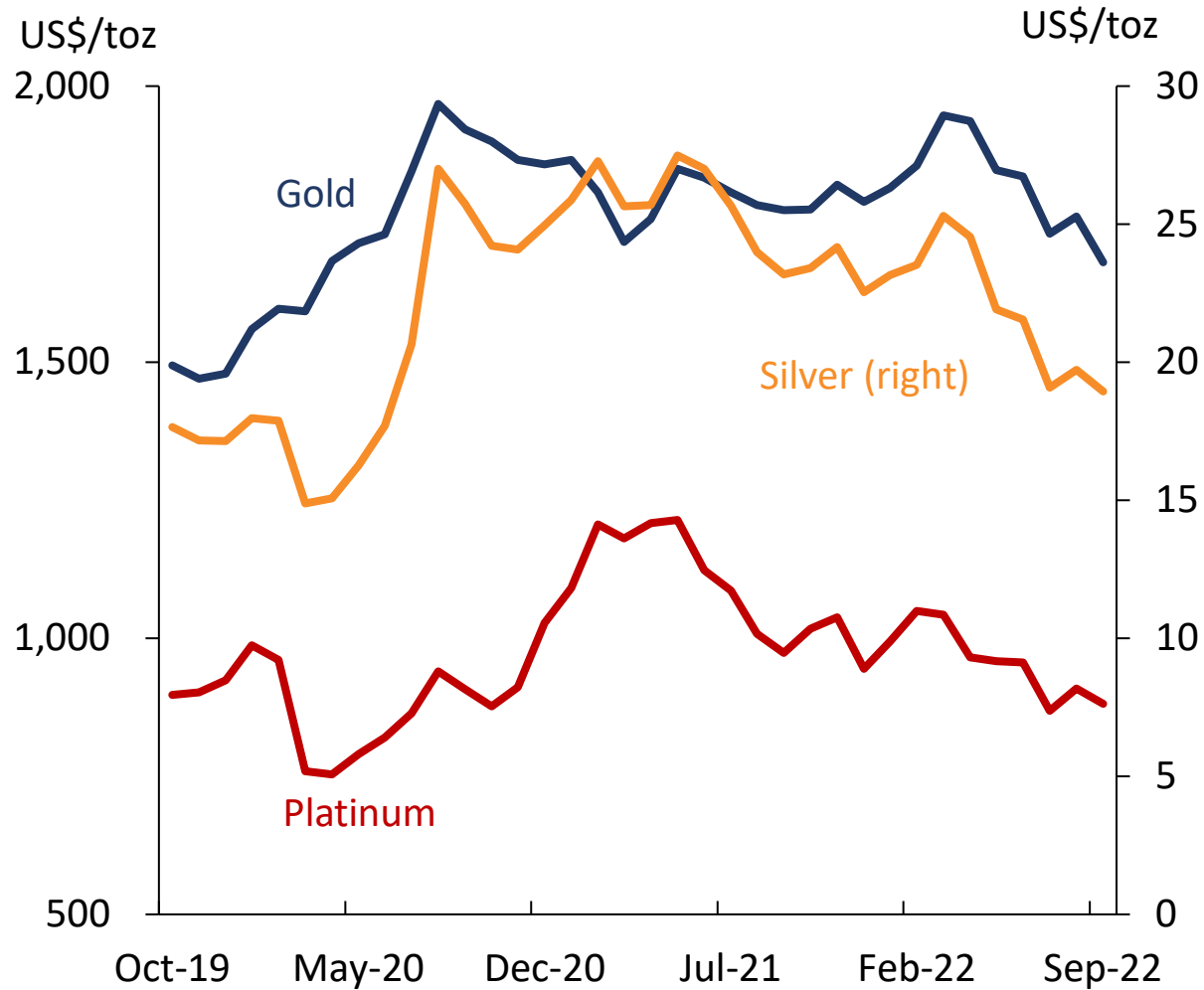


Source: Haver Analytics, World Bank.

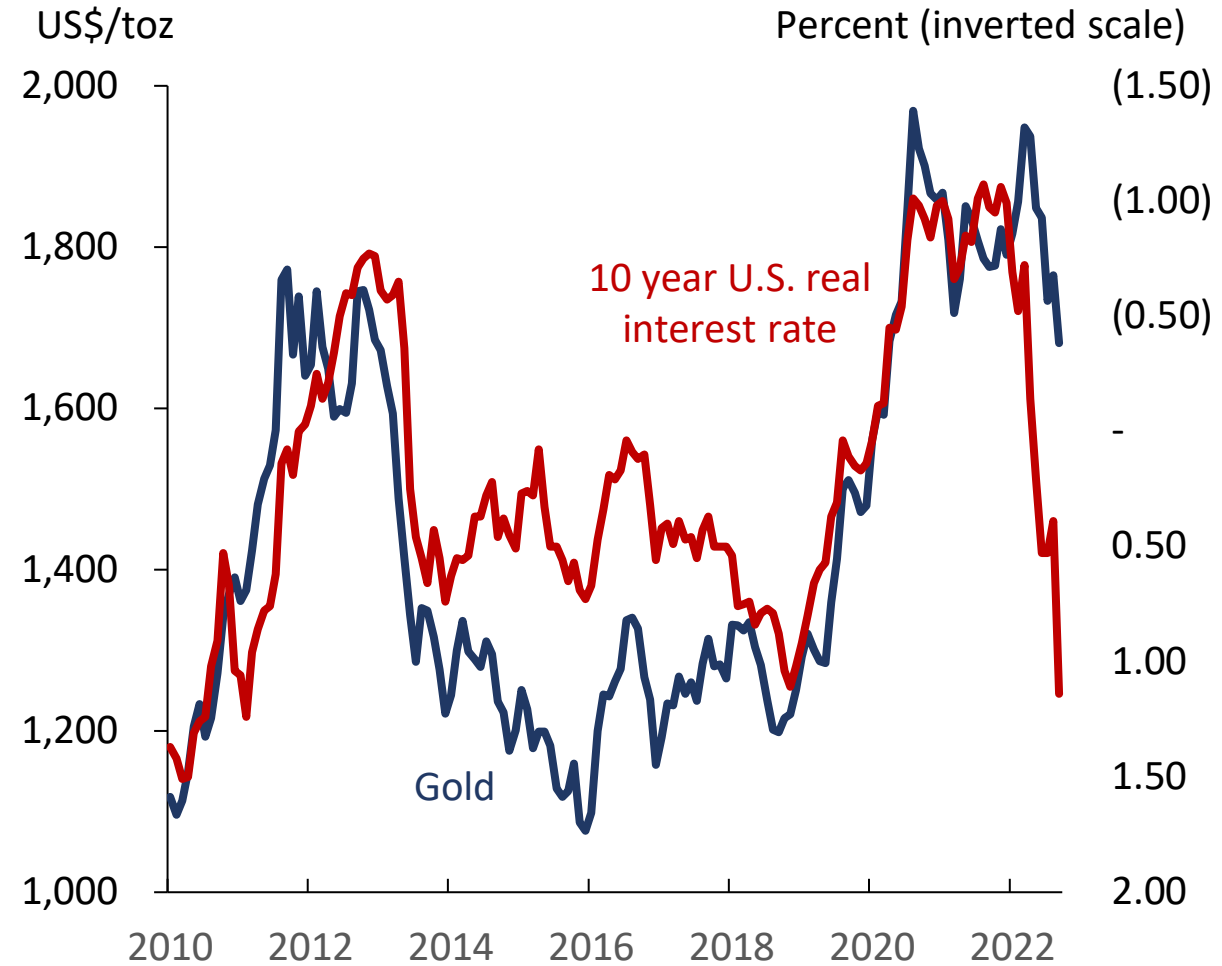
Note: Last observation is September 2022. The base metals price index includes aluminum, copper, lead, nickel, tin, and zinc.

Precious metals prices and gold with interest rates

Precious metals prices



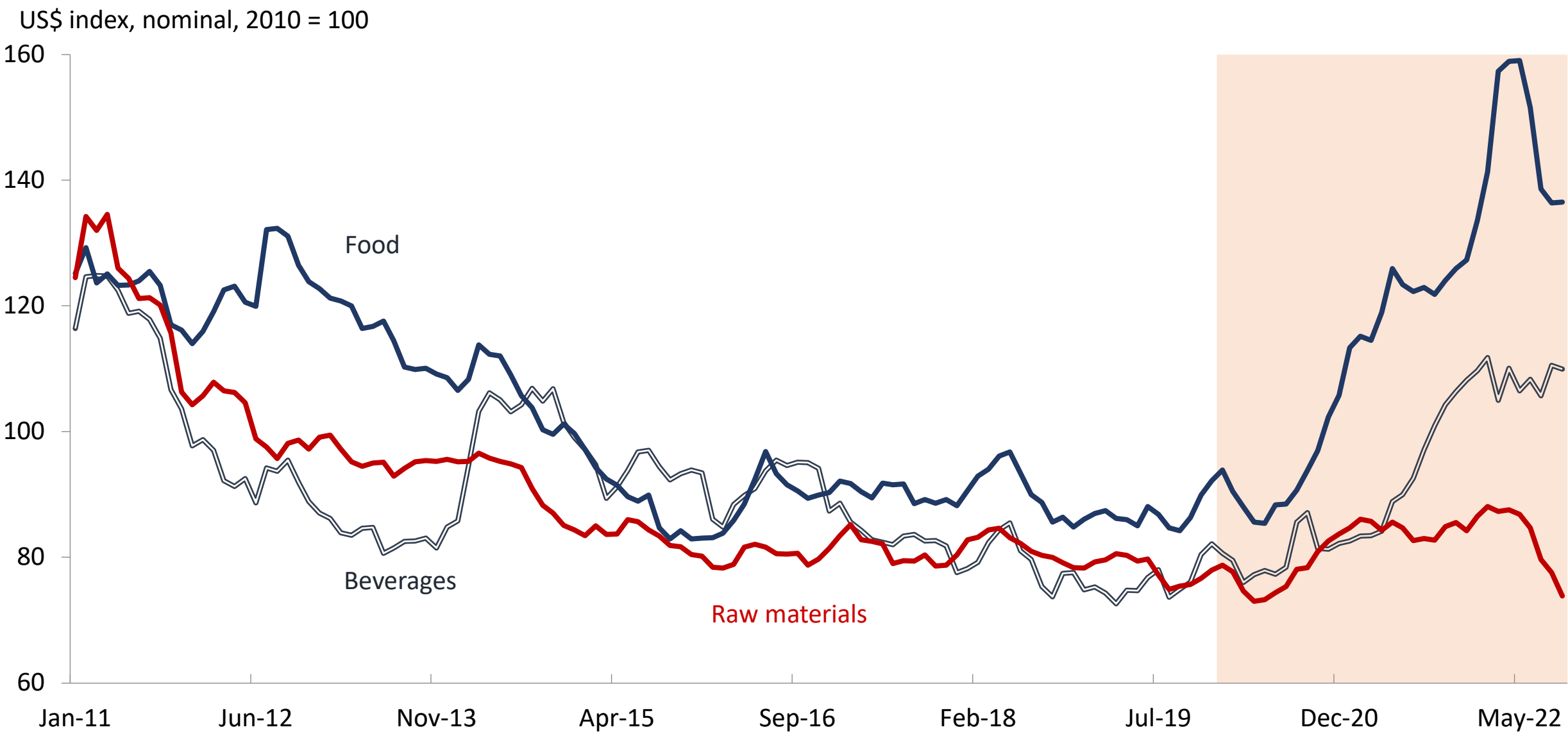
Gold prices and interest rates



Sources Bloomberg; Federal Reserve Bank of St. Louis; Haver Analytics; International Monetary Fund; World Bank.

Note: Interest rate is the 10-year U.S. Treasury inflation-indexed security with constant maturity (not seasonally adjusted); inverted scale. Last observation is September 2022.

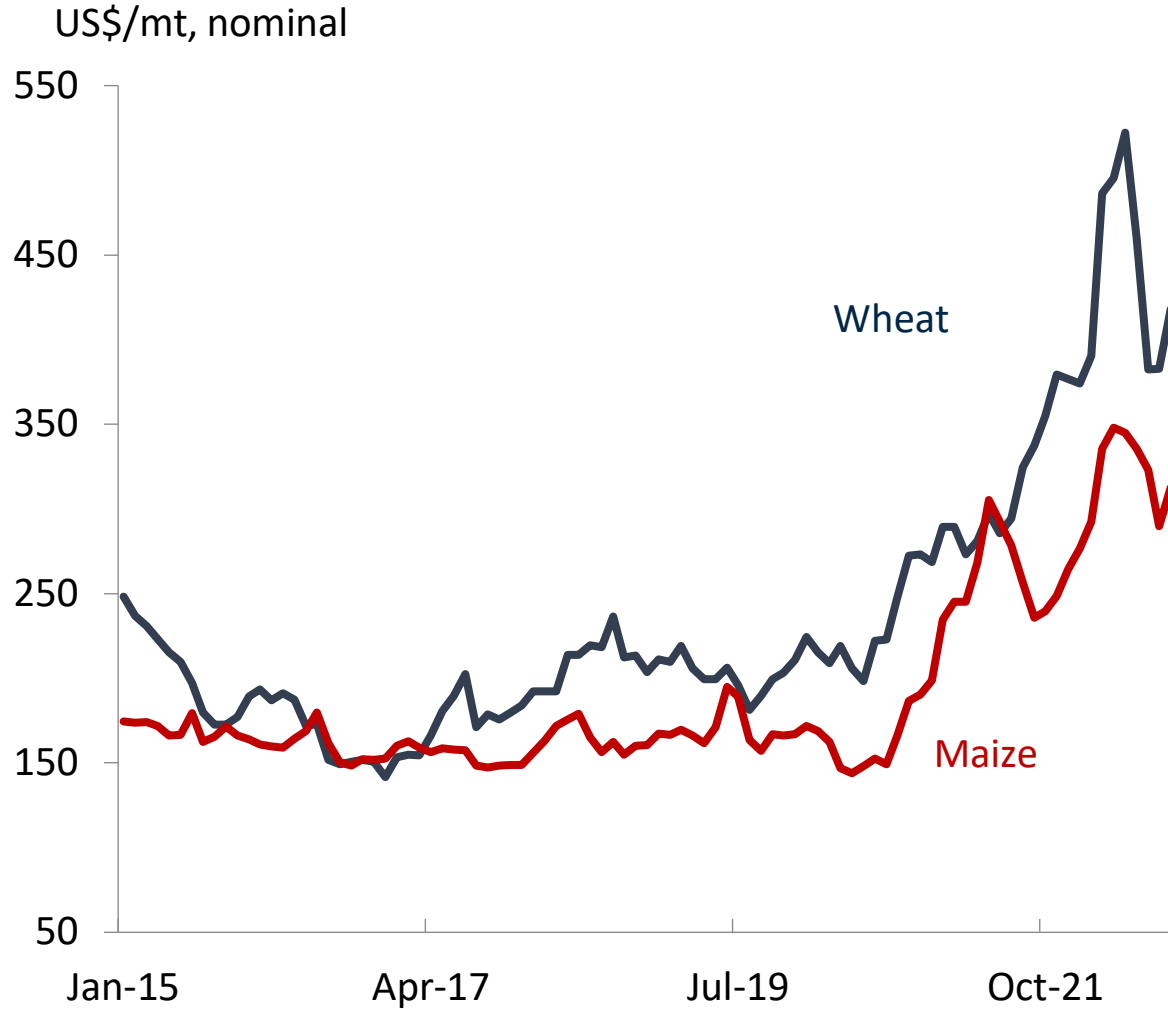
Agricultural prices: Food led the way



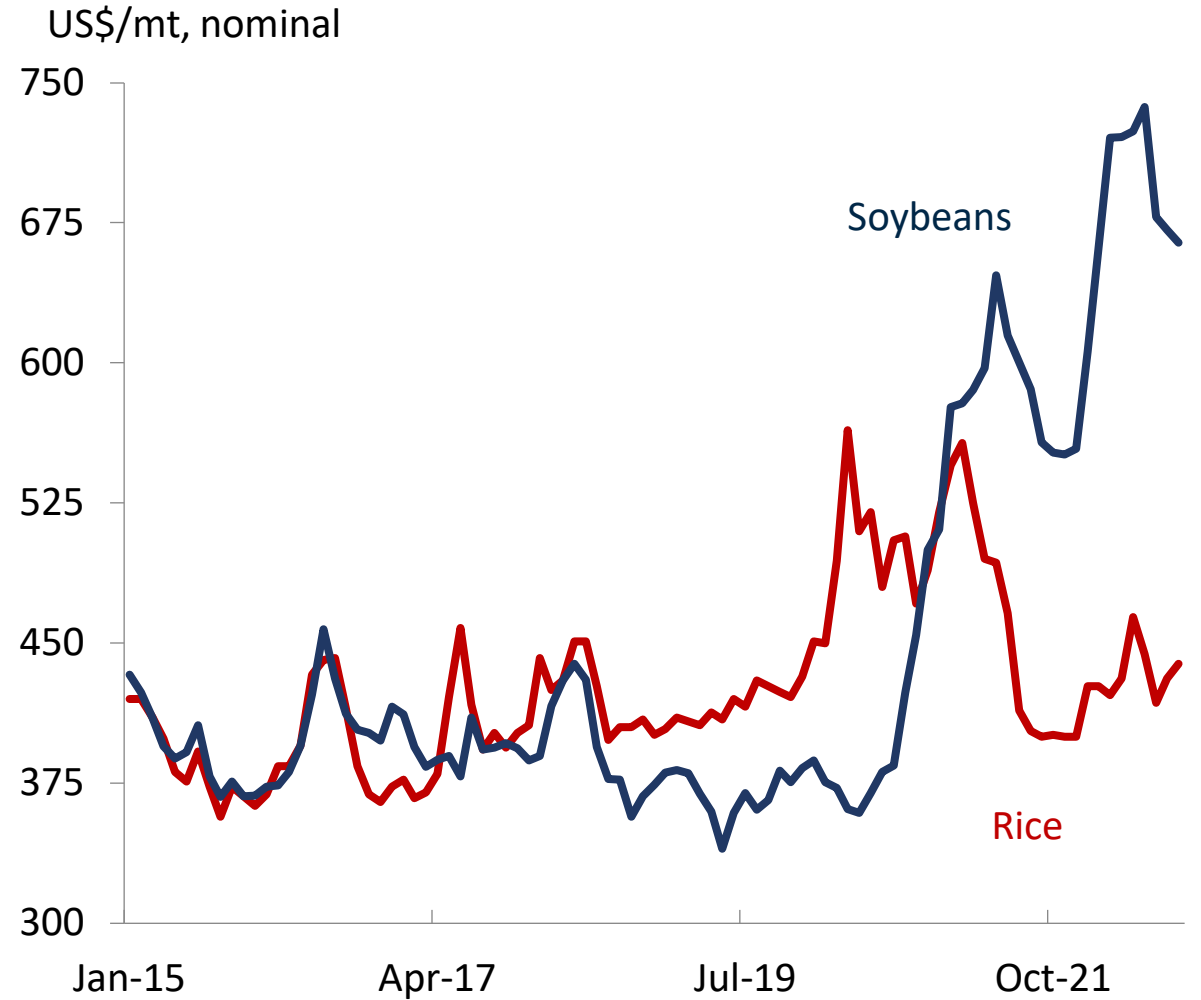
Source: World Bank.
Note: Shaded area corresponds to February 2020 – September 2022 (last observation).

Food commodity prices retreating

Maize and wheat



Rice and soybeans

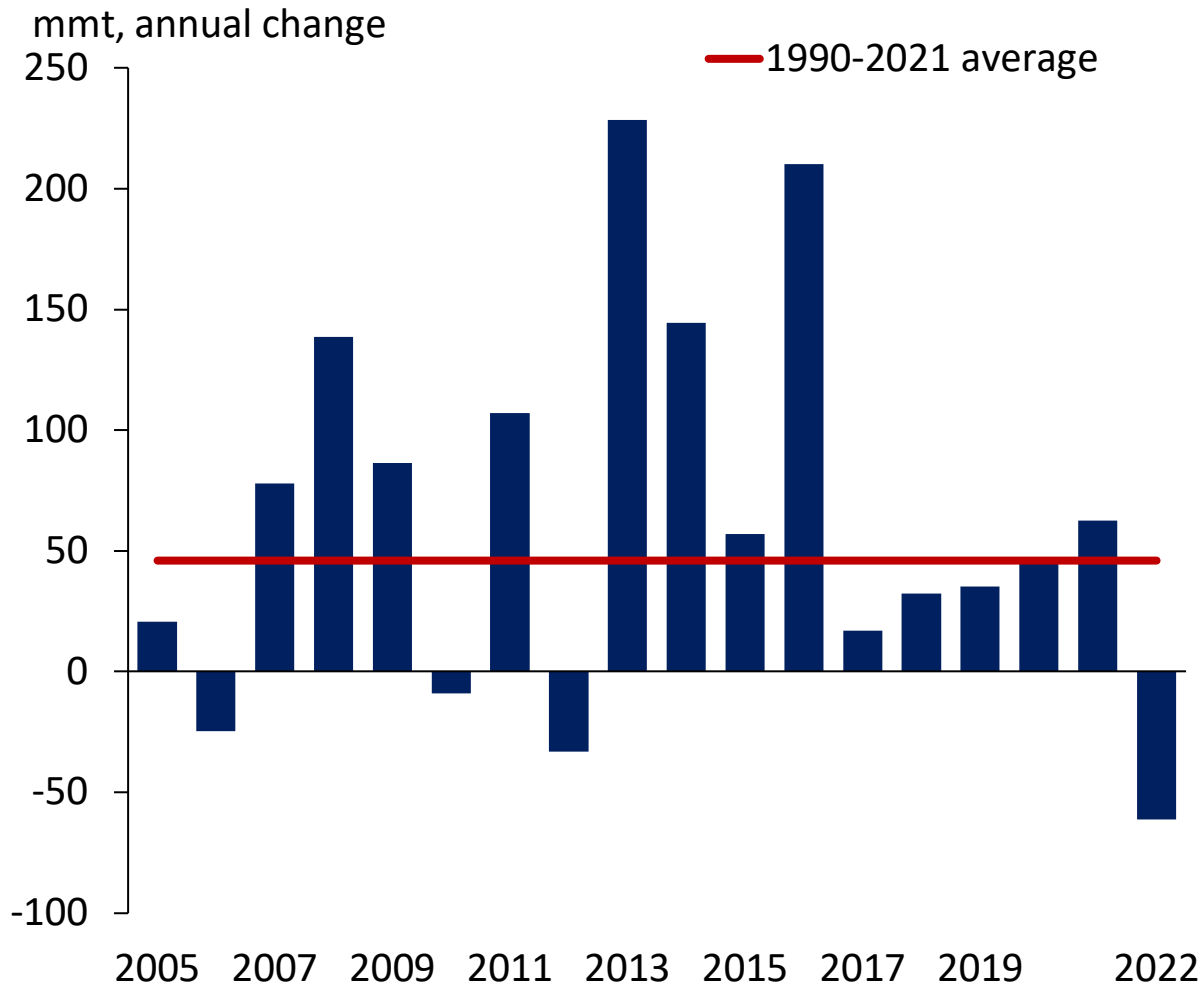


Source: World Bank.

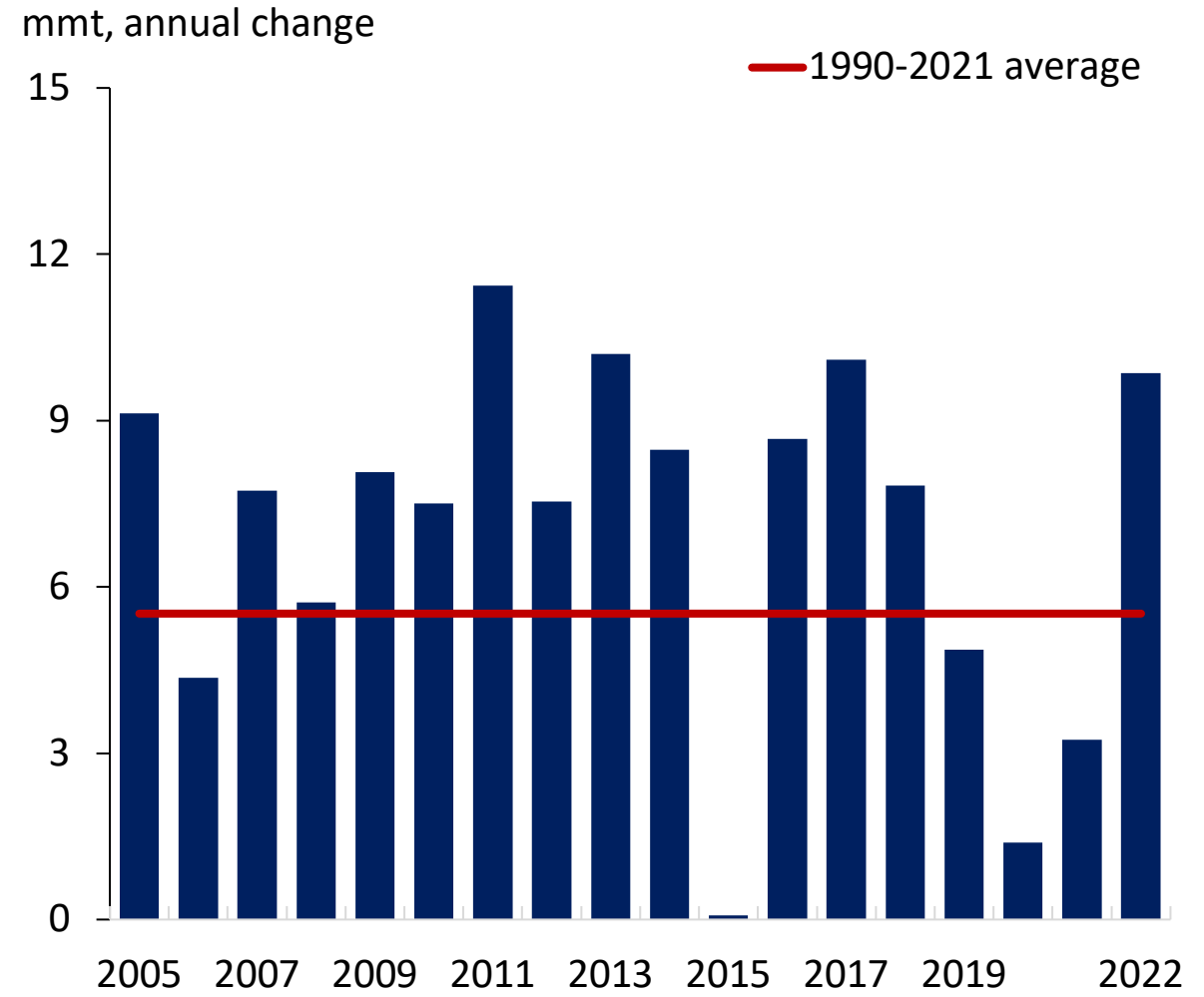
Note: Last observation is September 2022. Wheat is HRW and rice is Thai 5%.

Tighter supply conditions and global food inventories

Grain supply growth



Edible oil supply growth

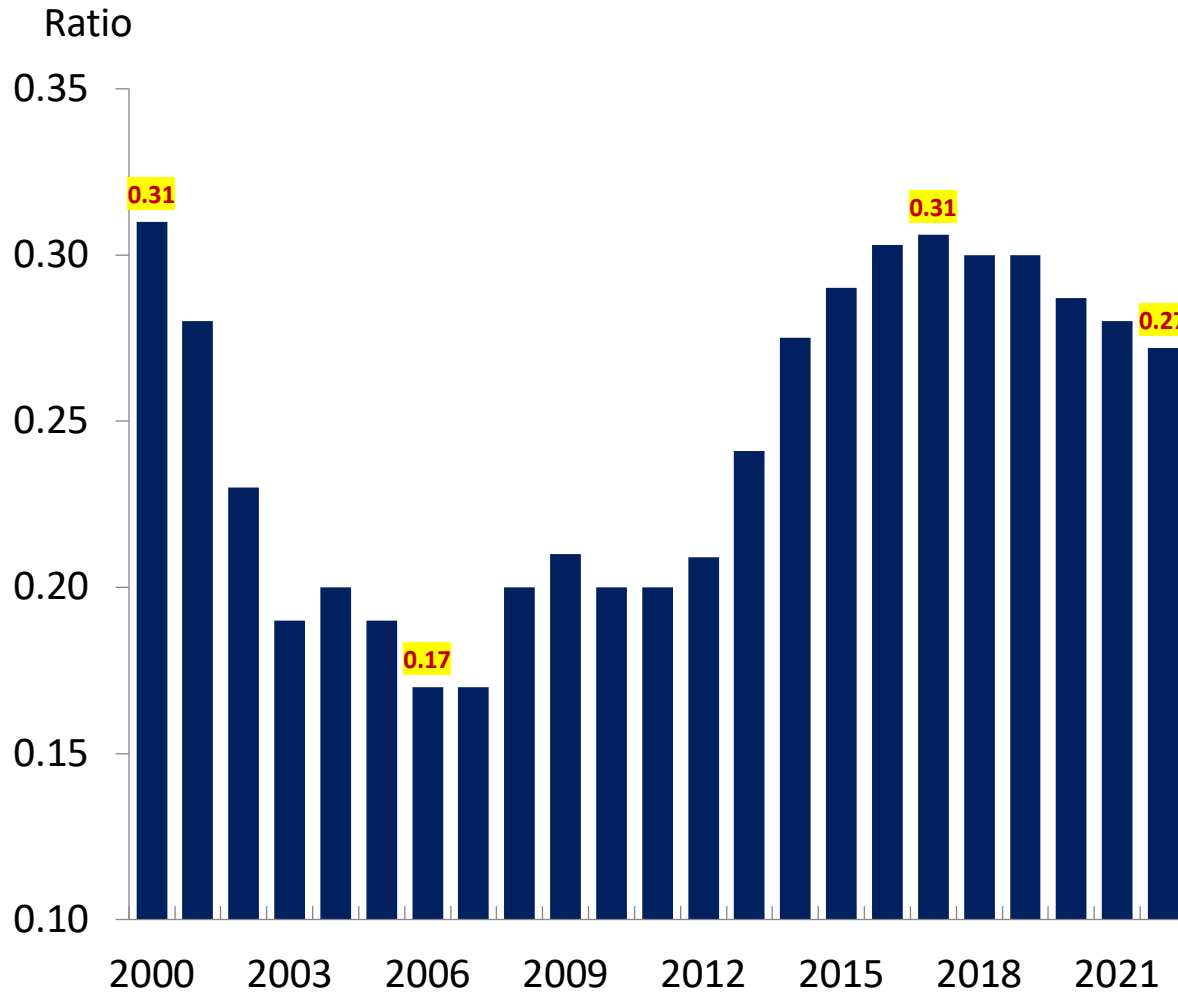


Source: U.S. Department of Agriculture (October 2022 update) and World Bank.

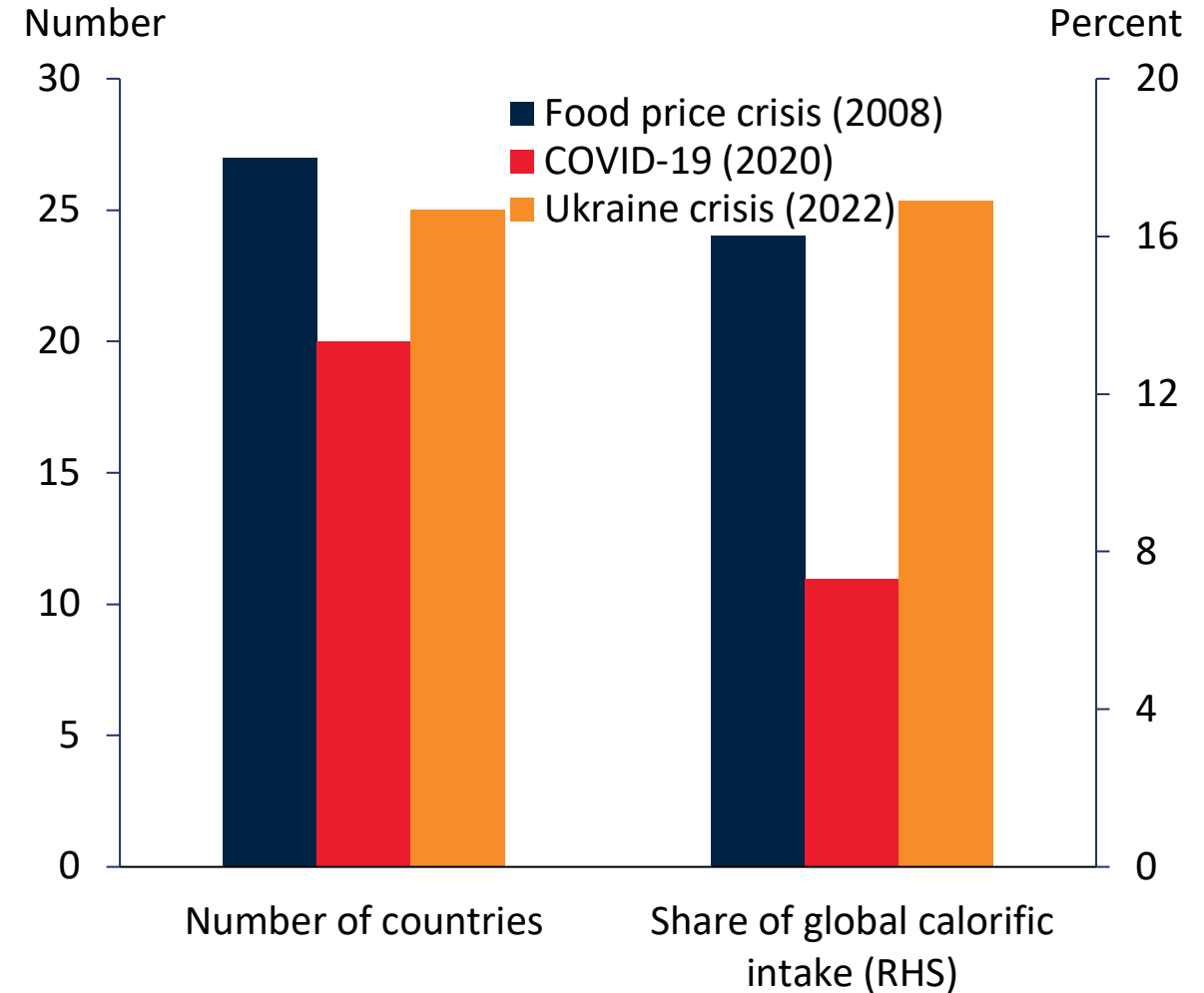
Notes: Years represent crop season (for example, 2021 refers to 2021-22). Supply is the sum of beginning stocks and production. Data updated as of October 12, 2022.

Tighter supply conditions and global food inventories

Stocks-to-use ratio



Trade restrictions

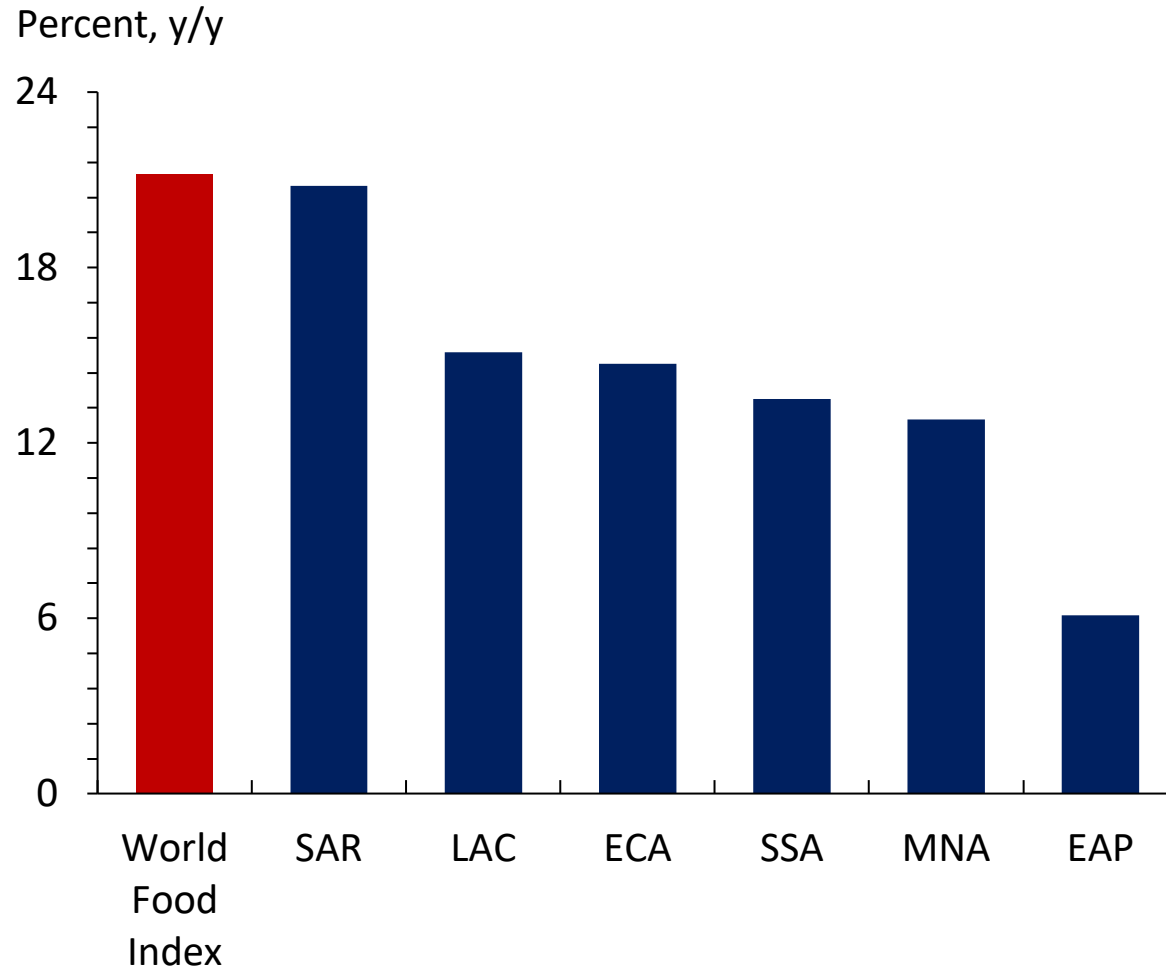


Source: Food Security Portal; Food and Fertilizer Export Restrictions Tracker; U.S. Department of Agriculture (October 2022 update) and World Bank.

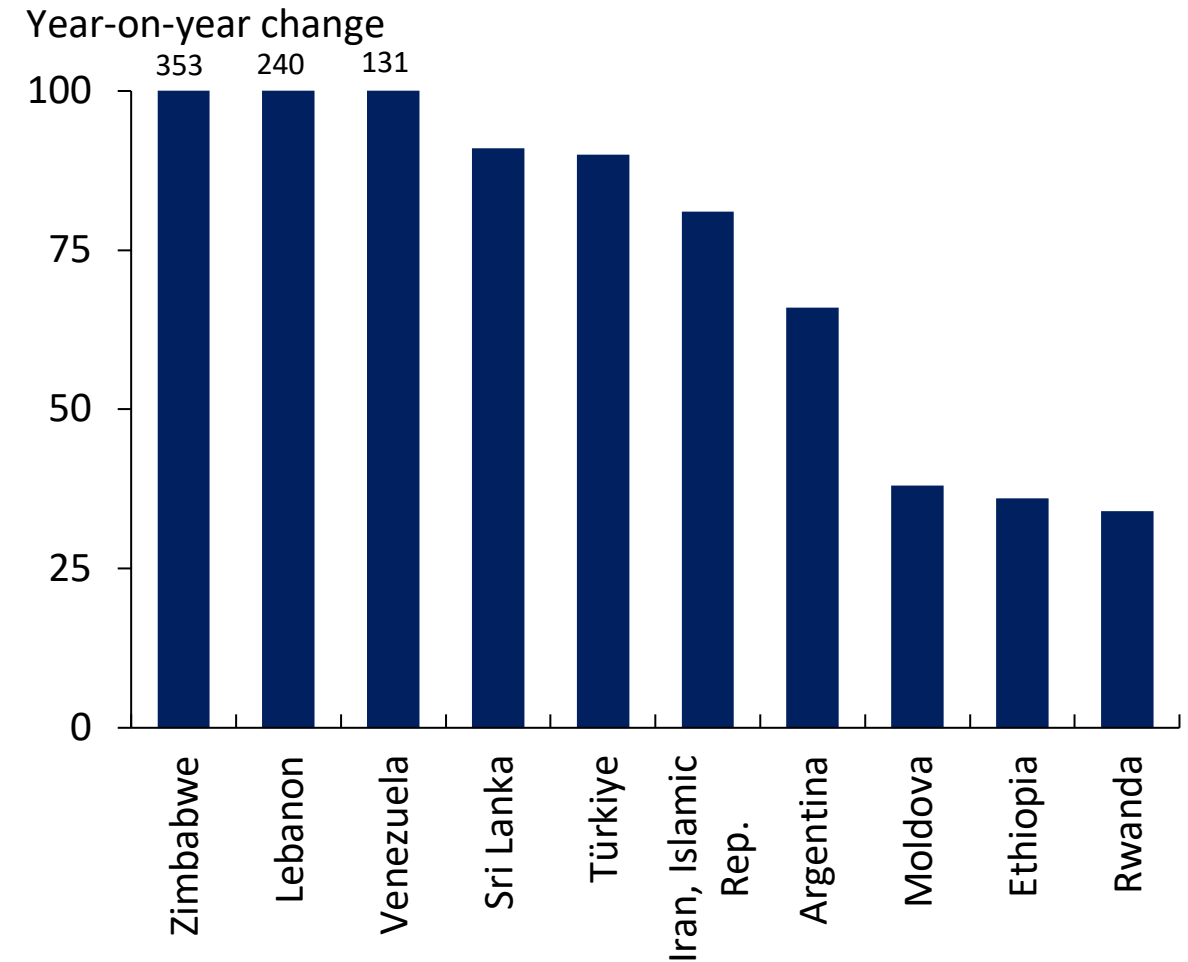
Notes: Years represent crop season (for example, 2021 refers to 2021-22). Data updated as of October 12, 2022. Stocks-to-use ratio is the ratio of ending stocks to domestic consumption. First bar for the trade restriction chart shows peak number of countries implementing food export restrictions during each period. Second bar on the right shows the percentage of global calories impacted by export restrictions during each period.

Tighter supply conditions and global food inventories

Food price inflation



Food price inflation in selected EMDEs

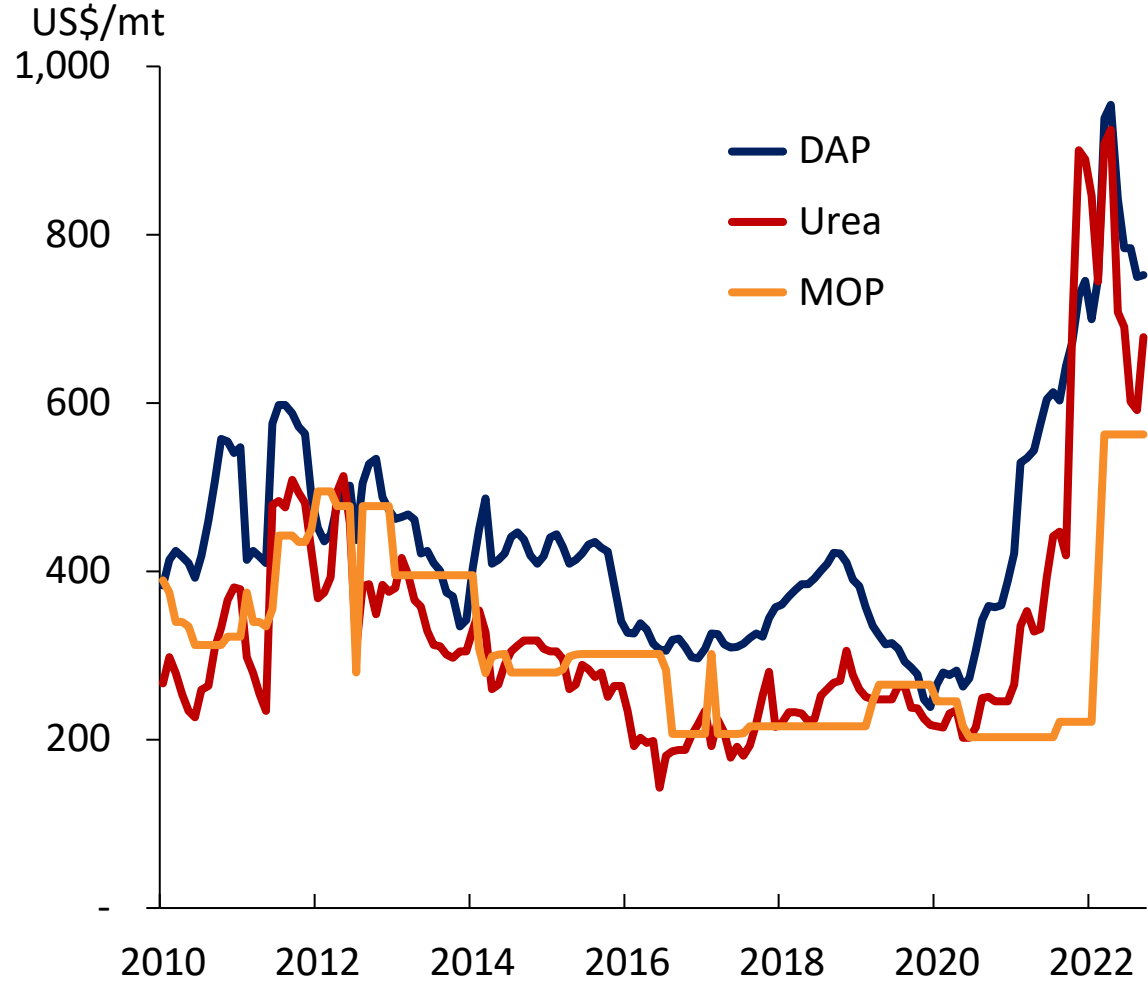


Source: Food and Agriculture Organization of the United Nations; World Bank; World Food Program.

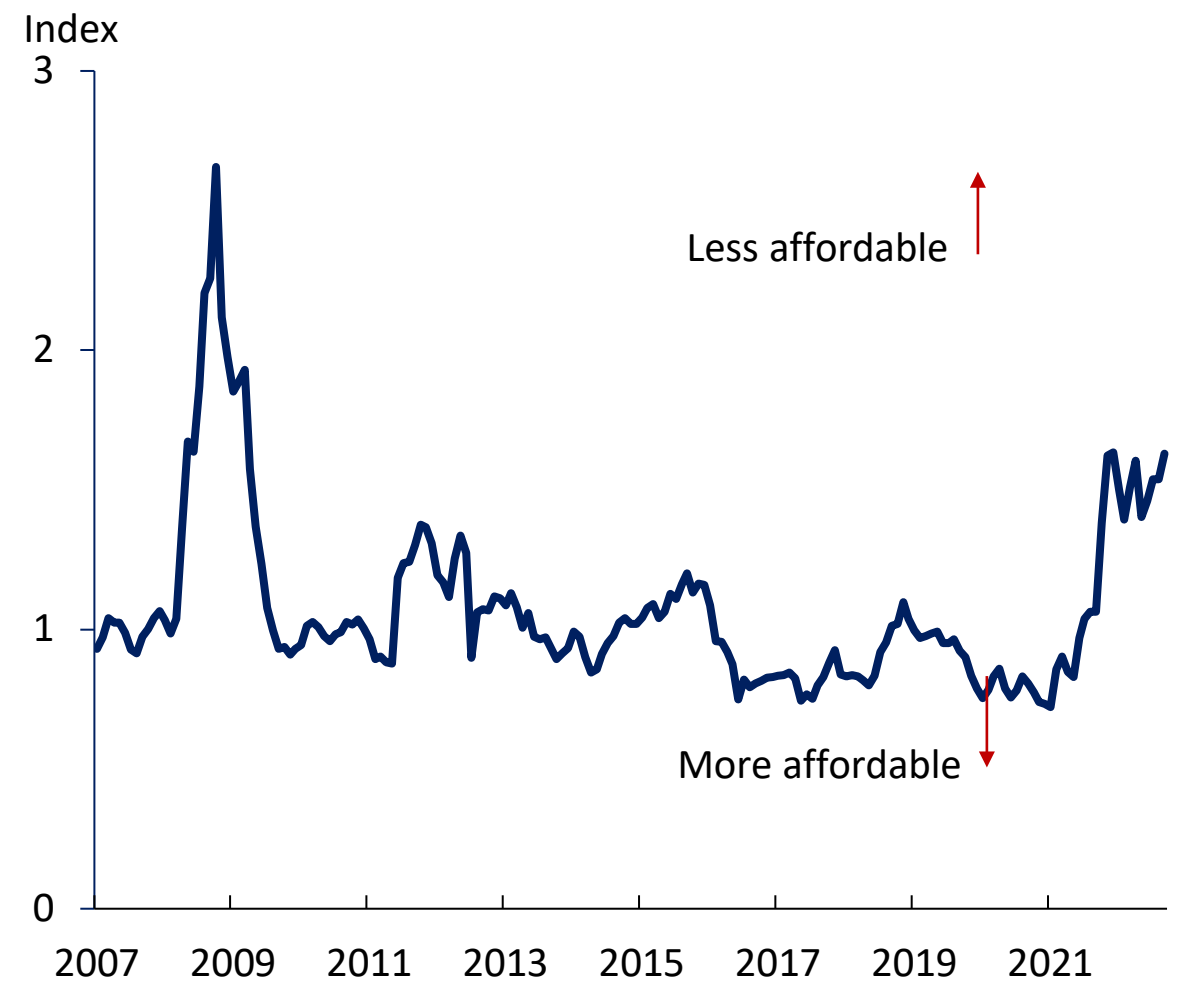
Notes: EAP = East Asia and Pacific, ECA = Europe and Central Asia, LAC = Latin America and the Caribbean, MNA = Middle East and North Africa, SAR = South Asia, SSA = Sub-Saharan Africa, EMDEs = emerging markets and developing economies. Food inflation for each country is based on the latest month from January to September 2022 for which the food component of the Consumer Price Index (CPI) and overall CPI data are available. Index on the right panel measures monthly changes in international prices of a basket of food commodities.

Fertilizer prices and affordability

Fertilizer prices



Affordability



Source: Bloomberg; World Bank.

Notes: DAP = diammonium phosphate. MOP = muriate of potash. mt = metric ton. Monthly data. Last observation is September 2022 (Fertilizer prices). Ratio of World Bank's fertilizer price index to food price index. A higher ratio represents lower fertilizer affordability, and vice versa.

Price forecasts

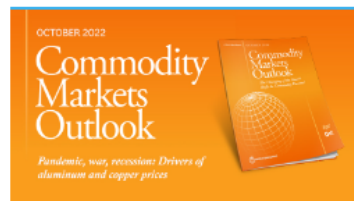
TABLE 1 World Bank Commodity Price Forecasts

Commodity	Unit	2020	2021	2022f	2023f	2024f	Percent change from previous year		Differences in levels from April 2022 projections	
							2022f	2023f	2022f	2023f
Price indexes in nominal U.S. dollars (2010=100)										
Energy a/		52.7	95.4	151.7	134.7	118.3	59.1	-11.2	8.1	8.9
Non-Energy Commodities		84.4	112.0	123.7	113.7	113.0	10.5	-8.1	-9.8	-8.0
Agriculture		87.5	108.7	123.2	117.7	117.5	13.4	-4.5	-4.7	-0.3
Beverages		80.4	93.5	108.7	101.5	101.5	16.3	-6.6	5.2	1.8
Food		93.1	121.8	143.6	134.7	134.1	17.9	-6.2	-6.1	0.5
Oils and Meals		89.8	127.1	145.7	134.3	133.7	14.7	-7.8	-19.2	-7.6
Grains		95.3	123.8	149.3	141.0	139.8	20.6	-5.6	0.3	7.4
Other food		95.5	113.1	135.7	129.5	129.4	19.9	-4.5	5.4	4.7
Raw Materials		77.6	84.5	81.2	84.7	85.4	-4.0	4.3	-6.0	-3.1
Timber		86.4	90.4	79.8	86.4	87.6	-11.8	8.3	-6.6	-3.1
Other raw materials		67.9	78.0	82.7	82.7	82.9	5.9	0.1	-5.4	-3.2
Fertilizers		73.2	132.2	219.5	192.2	174.1	66.1	-12.4	-4.2	-6.1
Metals and Minerals b/		79.1	116.4	113.8	96.5	96.9	-2.3	-15.2	-21.0	-24.1
Base Metals c/		80.2	117.7	121.2	103.0	103.8	2.9	-15.0	-22.7	-28.9
Precious Metals		133.5	140.2	134.6	129.7	126.7	-4.0	-3.6	-9.8	-1.8

Commodity Markets

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Commodity Markets Outlook

October 26, 2022 — The shrinking value of the currencies of most developing economies is driving up food and fuel prices in ways that could deepen the food and energy crises that many of them already face, according to the World Bank's latest Commodity Markets Outlook report.

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The Commodity Markets Outlook in nine charts

JOHN BAFFES & PETER NAGLE | OCTOBER 26, 2022

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Most commodity prices have retreated from their peaks in the aftermath of the post-pandemic demand surge and war in Ukraine.

The Fall 2022 edition of the *Commodity Markets Outlook* highlights how shrinking value of the currencies of most developing economies is driving up food and fuel prices in ways that could deepen the food and energy crises that many of them already face.

Commodity price developments

Most commodity prices have retreated from their peaks in the aftermath of the post-pandemic demand surge and war in Ukraine. The decline has been driven by a sharp global growth slowdown and concerns about an impending global recession. However, individual commodities have seen divergent trends amid differences in supply conditions and their response to softening demand.

Next *Commodity Markets Outlook* will be published on October 26

