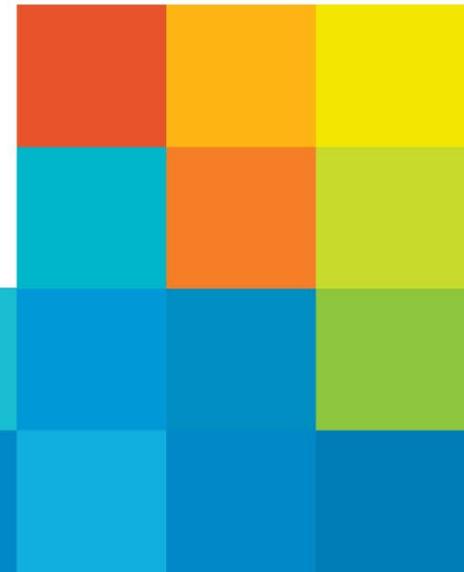




Discussion of “Commodity Markets: Evolution, Challenges, Policies”

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Asian Development Bank Institute (ADBI)

4 November 2022



Overview

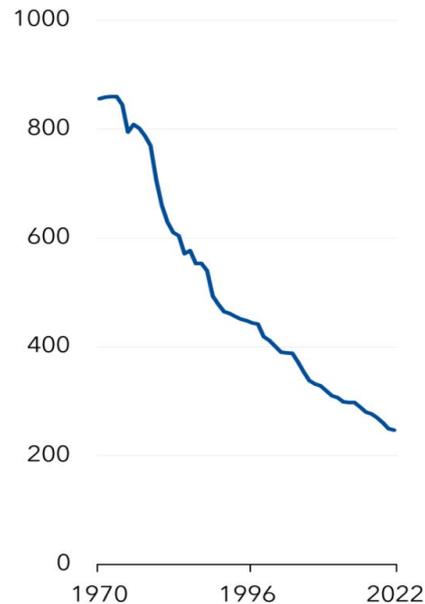
- A very **timely book** on an important policy topic.
- Book is **rich with content**, providing new insights on the drivers of commodity price volatility.
- **Asymmetries**, also linked to the extent to which a country is a net commodity importer or exporter.
- Comprehensive overview of the **evolution of commodity markets** over the past century.
- Drivers of **commodity demand and commodity price cycles**, including a modelling perspective.
- Carefully derived **policy implications** from robust analysis.

Global economy less reliant on oil

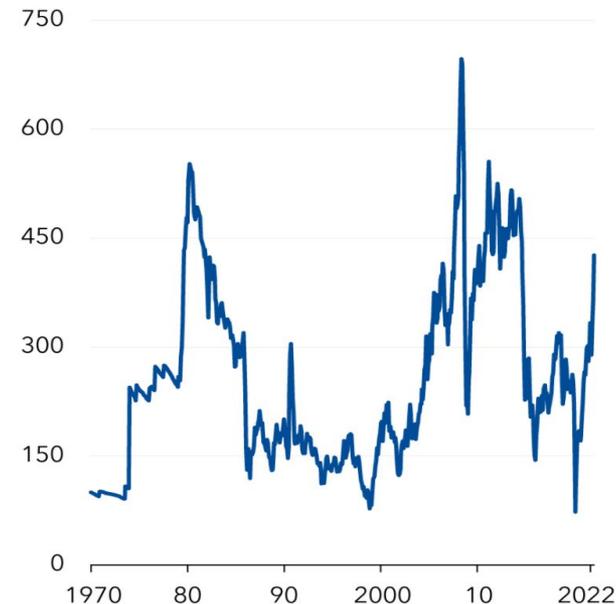
More fossil-free

The world gets much more mileage per barrel of oil than in the 1970s, helping to insulate the global economy from price shocks.

Global oil intensity, barrels



Real crude oil price index, WTI/CPI, Jan 1970=100



Source: St. Louis Fed; BLS; and IMF staff calculations.

Note: Oil intensity is defined as barrels of oil needed to produce \$1 million in real GDP.

Real GDP is based on constant 2017 purchasing-power-parity international dollars.

Right panel – spot crude oil price: West Texas Intermediate (WTI)/consumer price index for all urban consumers: all items in U.S. city average.

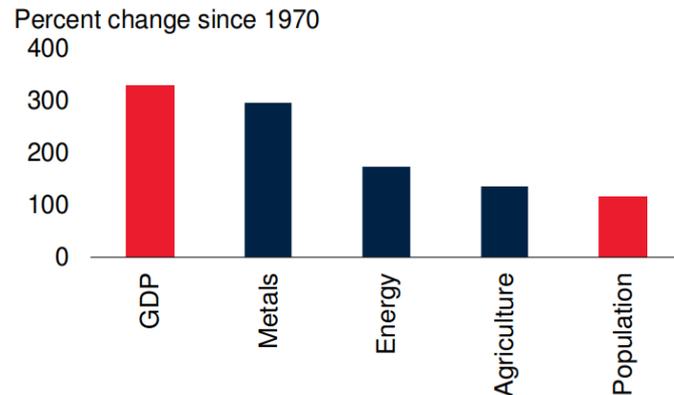
IMF

<https://www.imf.org/en/Blogs/Articles/2022/05/05/lower-oil-reliance-insulates-world-from-1970s-style-crude-shock>

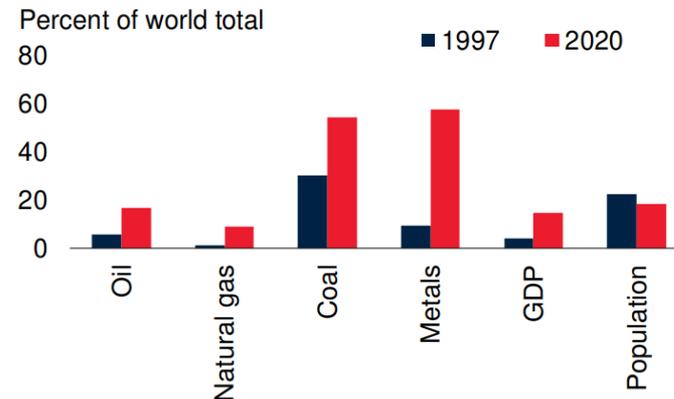
Comments (1)

- The book highlights the huge **rise in the demand** for commodities, driven by EMDEs and notably China:

A. Commodity demand, GDP, and population



B. China's share of global consumption

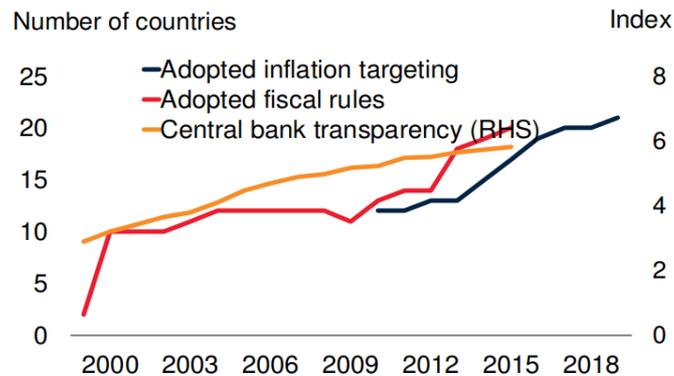


- Commodity prices are therefore heavily driven by developments in China. **How can EMEs insulate themselves from these developments?**
- Global supply versus demand and **relative commodity price elasticity.**

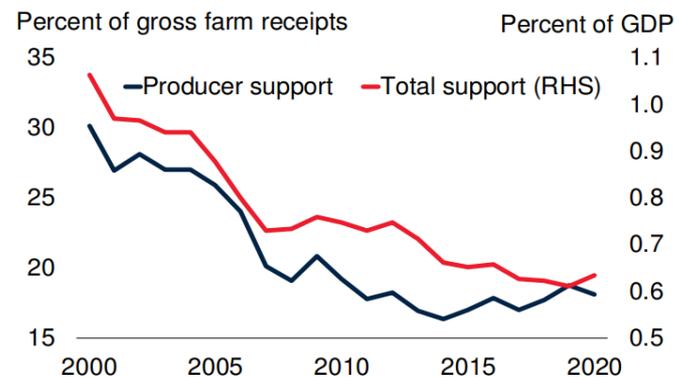
Comments (2)

- The book highlights developments in **monetary and fiscal policy frameworks** by commodity-exporting EMDEs.

A. Commodity-exporting EMDEs with fiscal rules or inflation targeting



B. Agricultural subsidies



- The policy framework developments are general **across all EMDEs**, not only commodity-exporters.
- Optimal interaction between policies** in response to commodity price shocks would be an important consideration.

Comments (3)

- The book notes the importance of **monetary policy as a potential mechanism/buffer** for commodity price shocks.
- Further insights could be provided related to the impact of monetary policy in the face of **supply shocks**.
- A **decomposition of commodity price fluctuations into demand and supply components** may reveal a more precise role for monetary policy.
- **Transitory versus permanent** effects and the role of fiscal policy.
- The role of financial markets and the **financialization of commodity markets** on price volatility
- Further research on the longer term impact of **diversifying the global energy supply network** would be highly interesting.