Commodity Markets Outlook

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Development Economics Prospects Group, World Bank

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Outline

Commodity Markets: Recent developments, outlook, and risks

1 Energy

2 Agriculture and food

3 Metal and minerals

Key messages: falling prices, slower growth

- **OUTLOOK: Commodity prices will continue falling in 2025 and 2026. Weak global growth amid robust supply conditions across several commodity markets.**
  - **Energy prices** falling nearly 6% in 2024 and 2025, and 2% in 2026. **Brent prices** falling to $80/bbl in 2024, before easing to $73/bbl in 2025 and $72/bbl in 2026.
  - **Agricultural prices** are projected to decline 4% in 2025, due to favorable growing conditions in key exporters, before stabilizing in 2026.
  - **Metal prices** are projected to hold steady in 2025 and decline by 3% in 2026, reflecting weak demand in major economies, including China, amid ample supplies.
- **RISKS:**
  - **Energy**: Escalation of Middle East conflict (oil + gas), weak economic activity (all), robust reversal of OPEC+ cuts (oil), trade issues (gas) and weather-induced demand surges (natural gas).
  - **Agriculture**: Upside risks include heat waves and geopolitical tensions. Downside risks include lower-than-expected crude oil prices and the onset of a strong La Niña are major downside risks.
  - **Metals**: Weaker than expected growth in China is a key downside risk.

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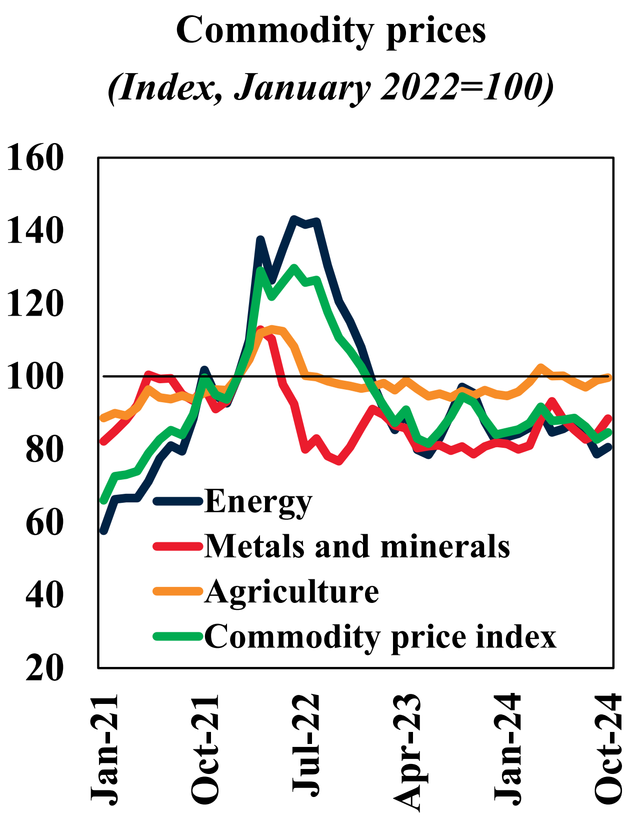
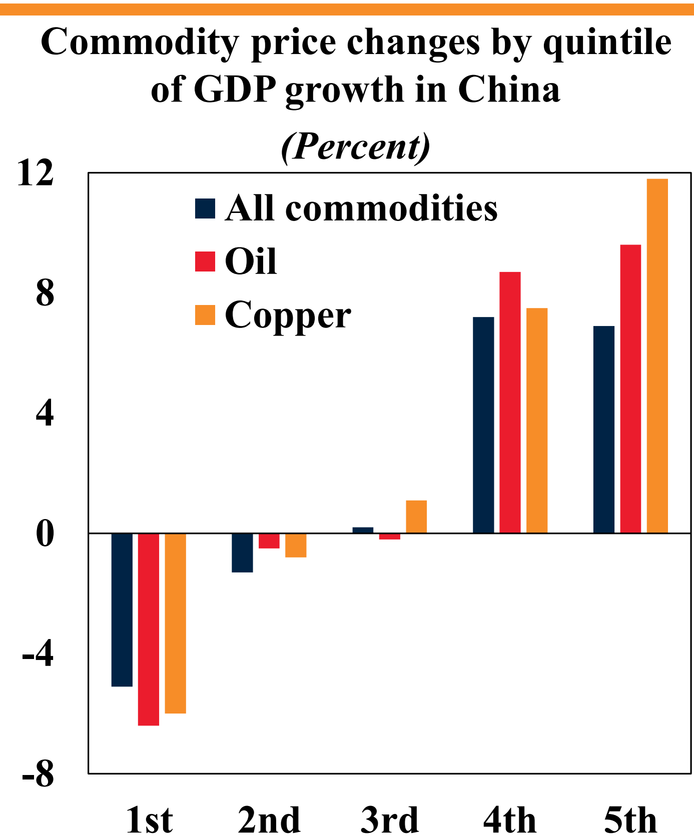
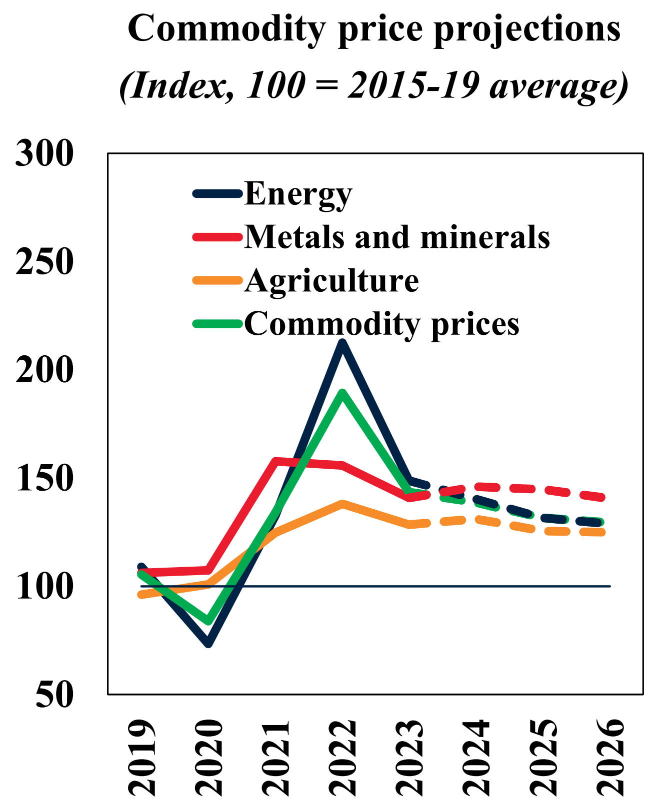
Commodity prices will continue falling in 2025 and 2026

Slower global growth amid ample supplies







Source: World Bank.
Left Panel. Monthly data, last observation is October 2024. Middle Panel. Bars show average changes in quarterly commodity prices in 2000-19, according to the quintile of China's q/q seasonally adjusted GDP growth rate during that period. Right Panel. Commodity prices refer to the World Bank commodity price index, excluding precious metals. Dashed lines indicate forecasts.

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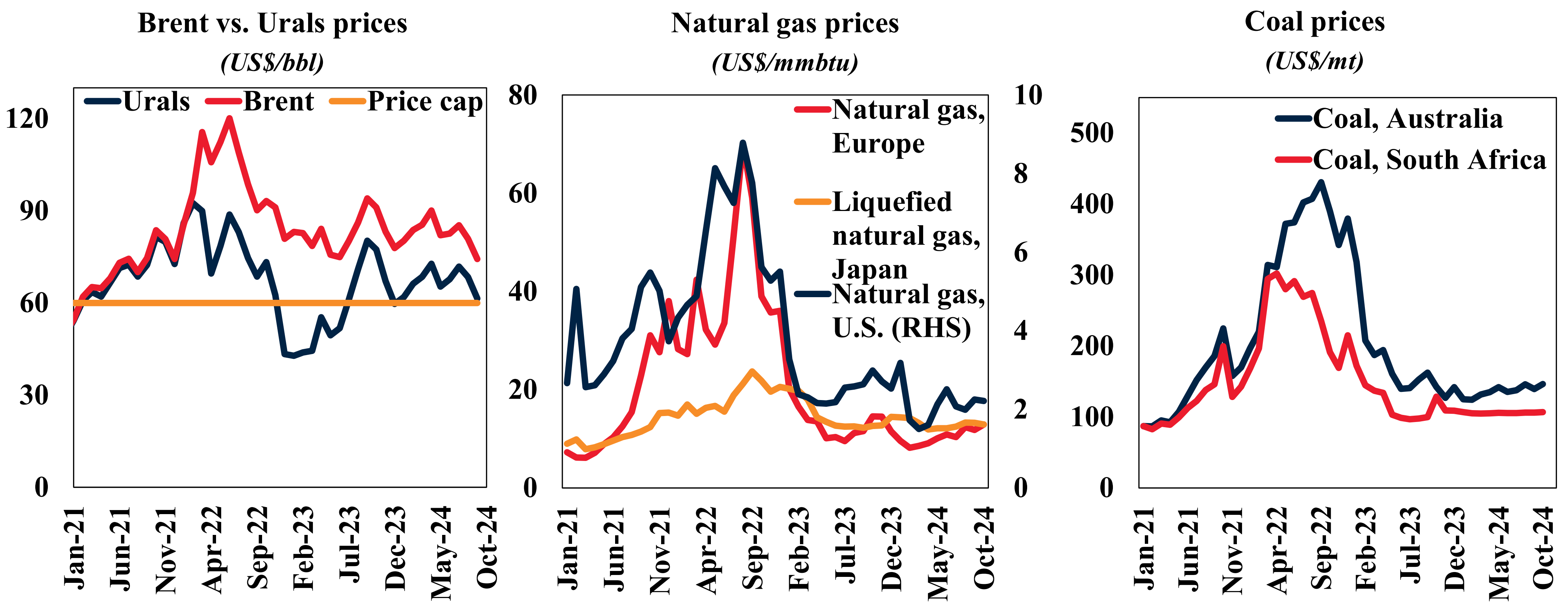
Energy

1

What is the outlook for energy prices and the risks to the outlook?

Small decrease in energy prices in the last quarter

Decreasing oil price amid high volatility while natural gas and coal are edging up

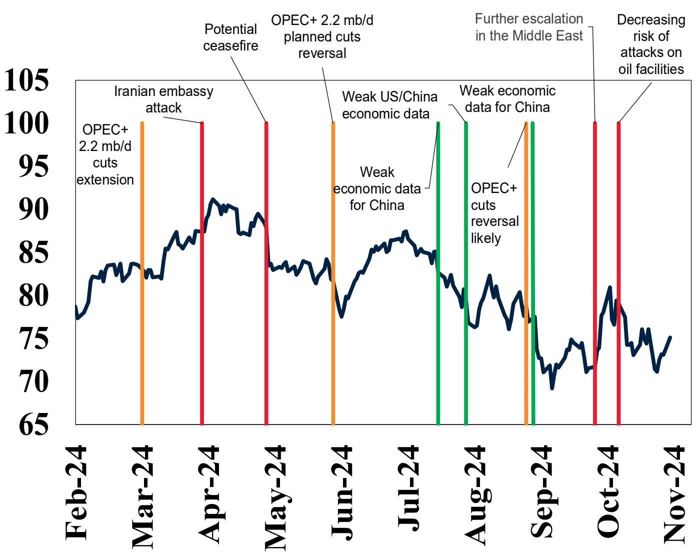


Sources: Bloomberg; Energy Information Administration; World Bank.
Note: Monthly data, last observation is October 2024 for the Middle and Right Panel, and September 2024 for the Left Panel.

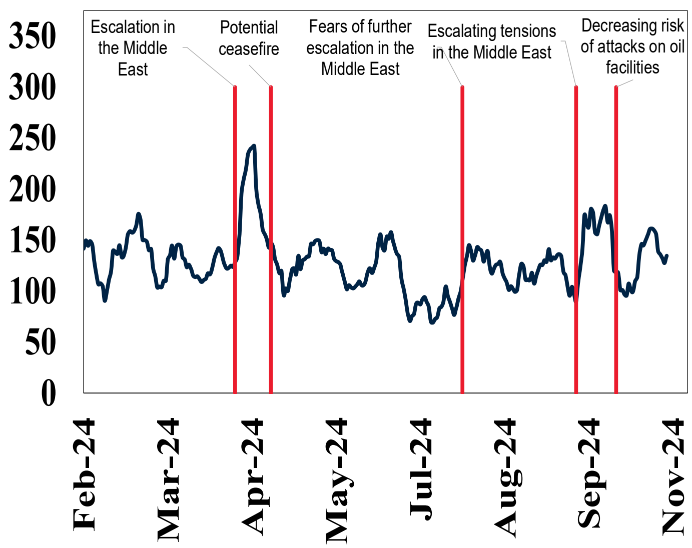
Supply management, weak demand and geopolitical risk

Oil price buffeted by these contrasting forces at different in point in time

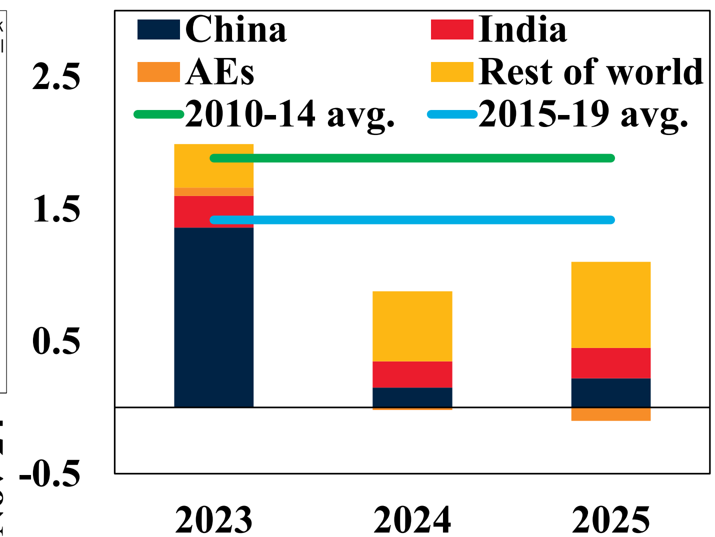
Oil prices and key events
(US$/bbl)



Geopolitical risk index (threat)
(Index)



Change in global oil demand
(Mb/d)



Sources: Bloomberg; Caldara and Iacoviello (2022); Energy Information Administration; World Bank.
Note: Left Panel: Daily Brent prices, last observation is [November 4], 2024. Yellow lines indicate events related to OPEC+ supply management, red lines indicate geopolitical events, and green lines display economic news; Middle Panel: The Geopolitical risk index (threat) reflects automated text-search of electronic archives from 10 newspapers, related to adverse geopolitical events. Blue line is the 7-day moving average of the daily series. Last observation is November 4, 2024. Right Panel: Bars indicate change in annual oil demand in million barrels per day (mb/d). Data based on IEA's *Oil Market Report*, October 2024 edition. Lines indicate average changes in annual oil demand for the two specified 5-year periods.

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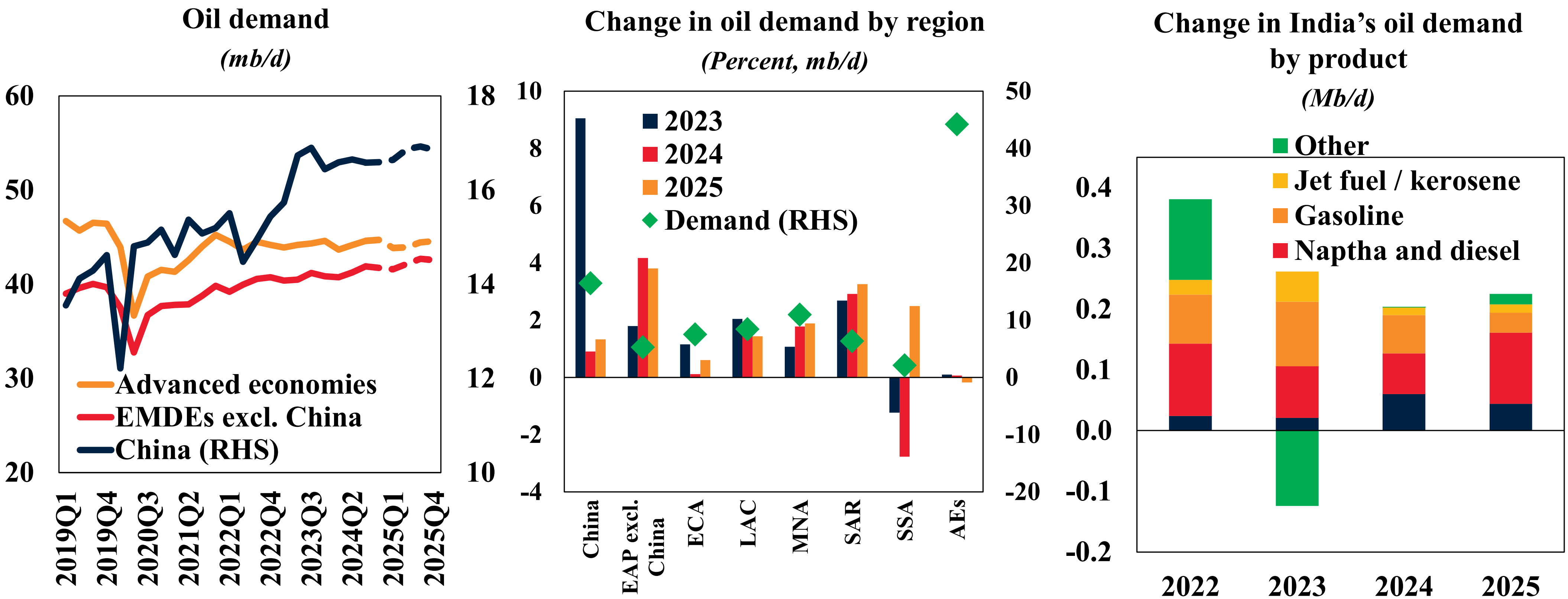
Slowing demand growth becoming widespread

Only SAR break this trend, EAP (excluding China), LAC and MNA stable



Sources: Energy Information Administration; World Bank.

Left Panel. Dashed lines indicate IEA forecasts for 2024Q4 to 2025Q4. Middle Panel. Bars show the percent year-on-year change in oil demand. Green diamonds show demand for oil in millions of barrels per day (mb/d) for 2023. Data for 2024 and 2025 are IEA forecasts. Right Panel. Bars show the year-on-year change in millions of barrels per day (mb/d). Data for 2024 and 2025 are IEA forecasts.

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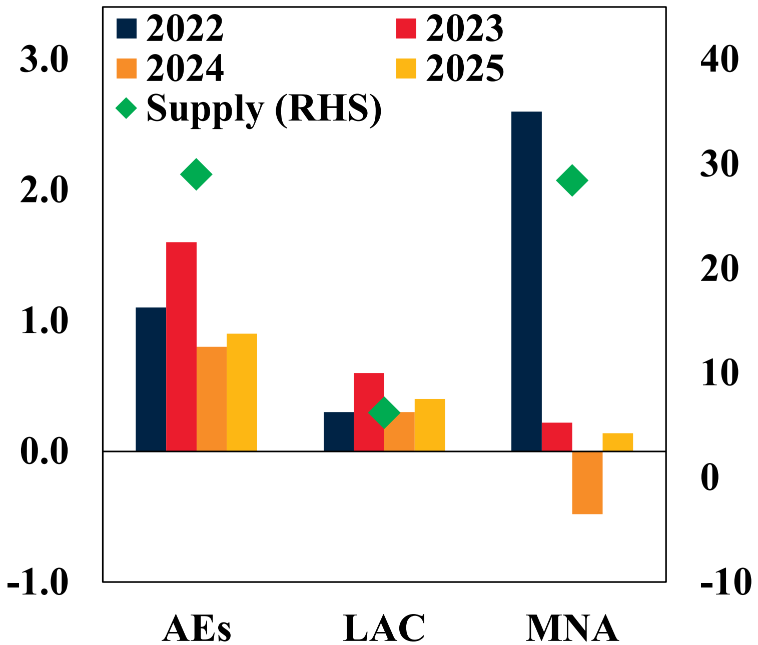
Strong supply growth leading to a persistent surplus

Growth in AE and LAC amid high OPEC+ spare capacity

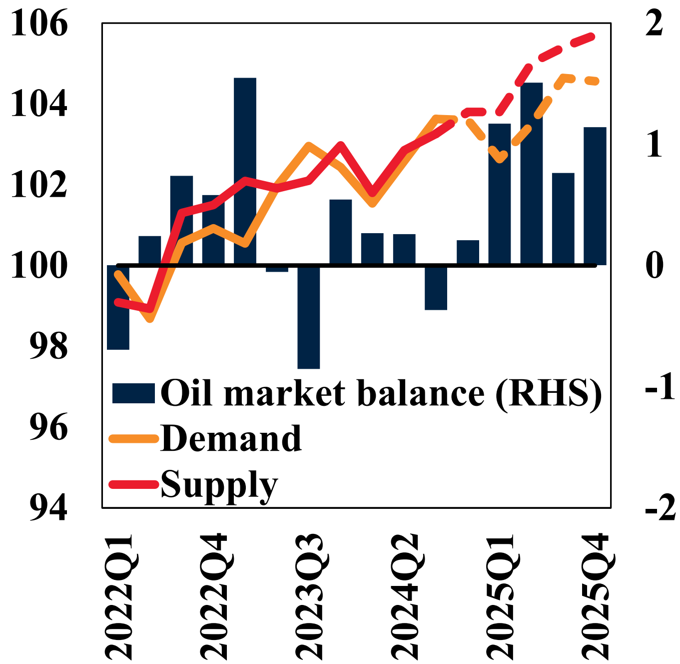
Change in oil supply by region

(Percent, Mb/d)



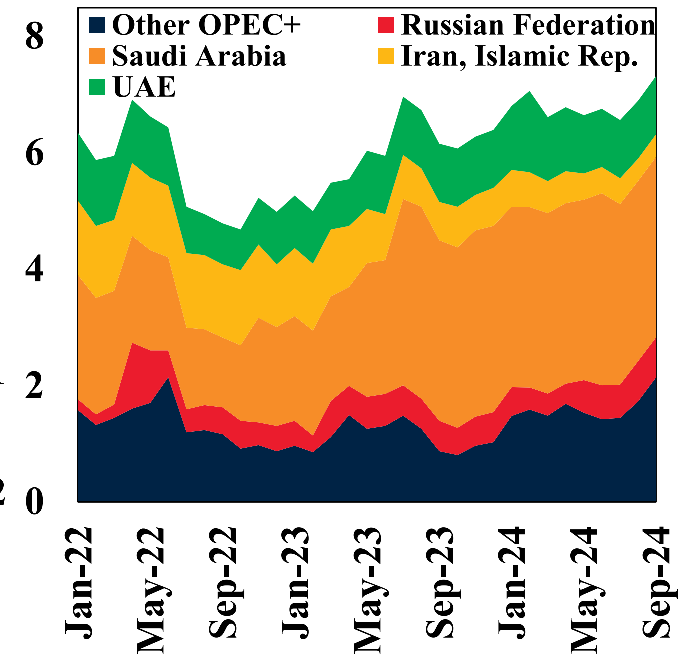
Oil market balance

(Mb/d)



Computed OPEC+ spare capacity

(Mb/d)



Sources: International Energy Agency; World Bank.

Left Panel. Bars show the percent year-on-year change in oil supply. Green diamonds show supply of oil per region in million barrels per day (mb/d) for 2023. Data for 2024 and 2025 are IEA forecasts. Middle Panel. "Oil market balance" is the difference between supply and demand in each quarter. Data from IEA *Oil Market Report*, October 2024 edition. Dashed lines indicate IEA forecasts for 2024Q4 to 2025Q4, based on extension of voluntary OPEC+ cuts. Right Panel. Spare capacity for OPEC+ members from monthly IEA Oil Market Reports. Other OPEC + includes Algeria, Azerbaijan, Bahrain, Brunei, Congo, Equatorial Guinea, Gabon, Iraq, Kazakhstan, Kuwait, Libya, Malaysia, Mexico, Nigeria, Oman, South Sudan, Sudan, and República Bolivariana de Venezuela. Values for Islamic Republic of Iran, Libya, Russian Federation, and República Bolivariana de Venezuela are computed from data on sustainable capacity and actual supply in monthly IEA *Oil Market Reports*. Values for all other countries are published in IEA *Oil Market Reports*.

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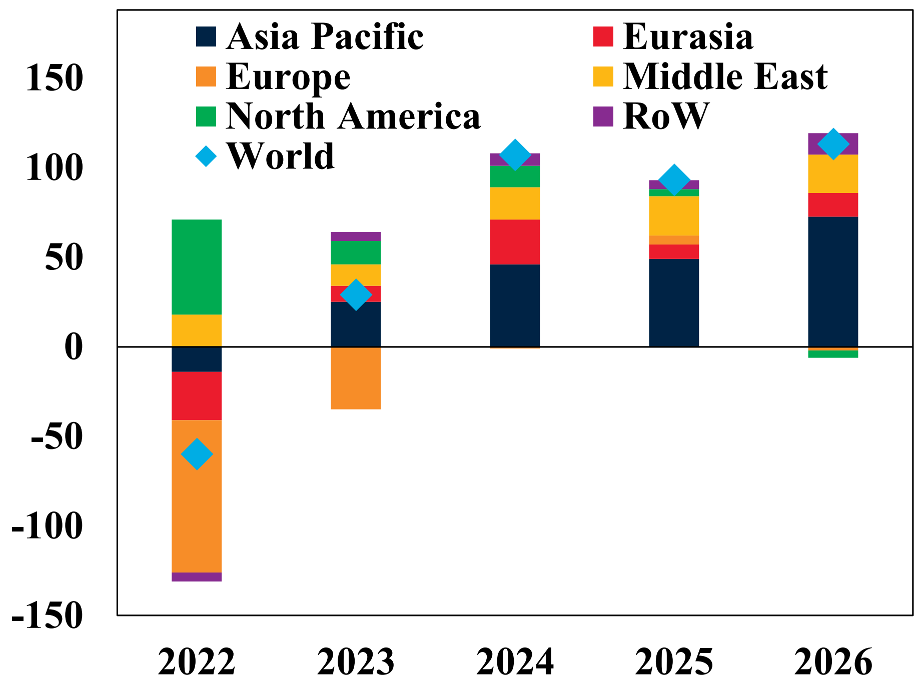
Natural gas consumption and supply

Expecting few years of stable growth amid tight market conditions

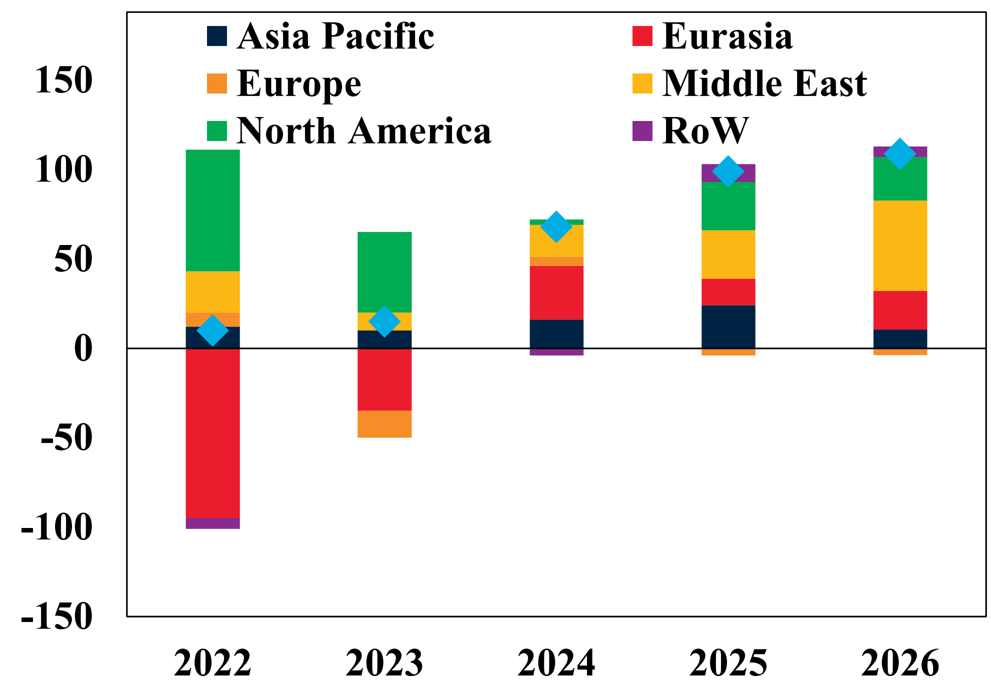
Changes in demand by region

(Bcm)



Changes in supply by region

(Bcm)



Sources: International Energy Agency; World Bank.
Both Panels: Billion cubic meters (bcm). Regions in the charts defined as in IEA Gas Market Reports. Data for 2024-26 are computed based on IEA forecasts.

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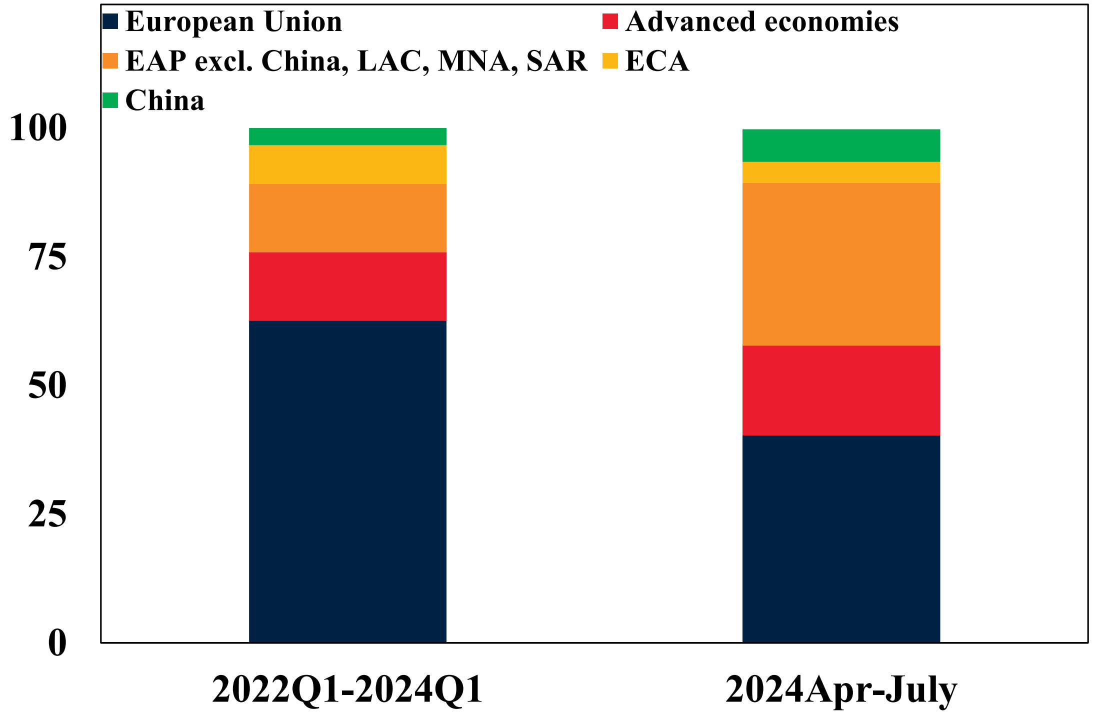
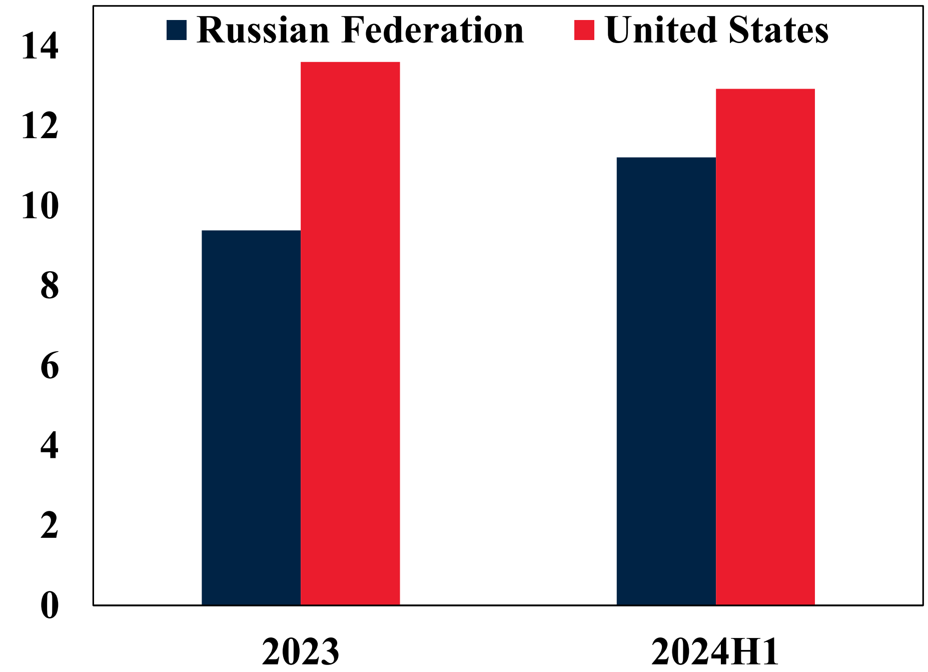
Evolving LNG trade after Russian's invasion of Ukraine

US LNG pulled away from Europe while share of Russian gas increases

Destinations of U.S. LNG exports
(Percent)



Shares of E.U. imports from Russian Federation and the United States
(Percent)



Sources: Eurostat; U.S. Energy Information Administration (EIA); World Bank.
Note. Left Panel. Averages using monthly data of U.S. LNG shipments. Last observation is July 2024. Right Panel. Averages using monthly data. Last observation is June 2024.

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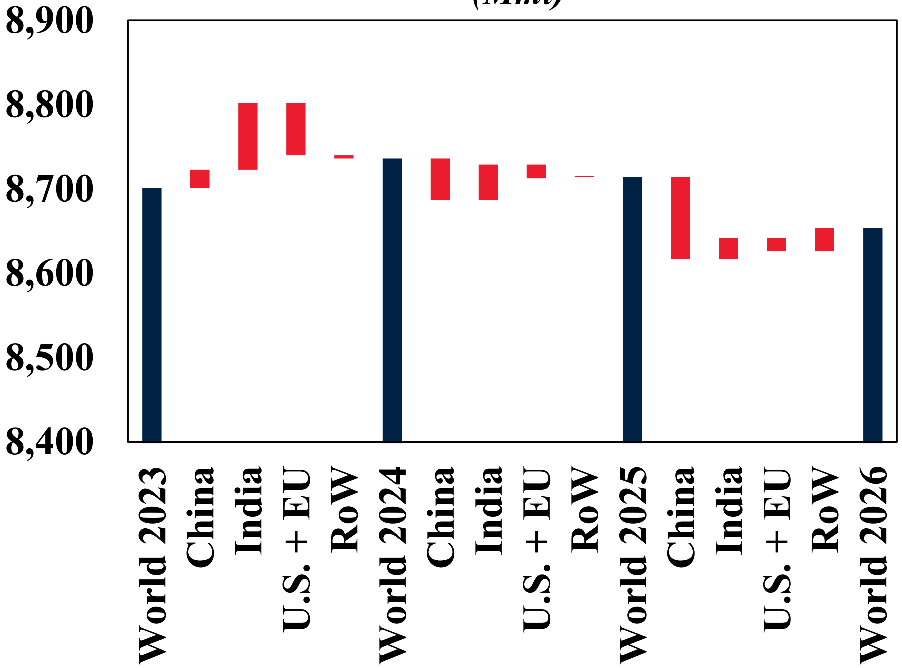
Global consumption might be heading for peak goal in 2024

Expecting shrinking coal production to match decreasing consumption

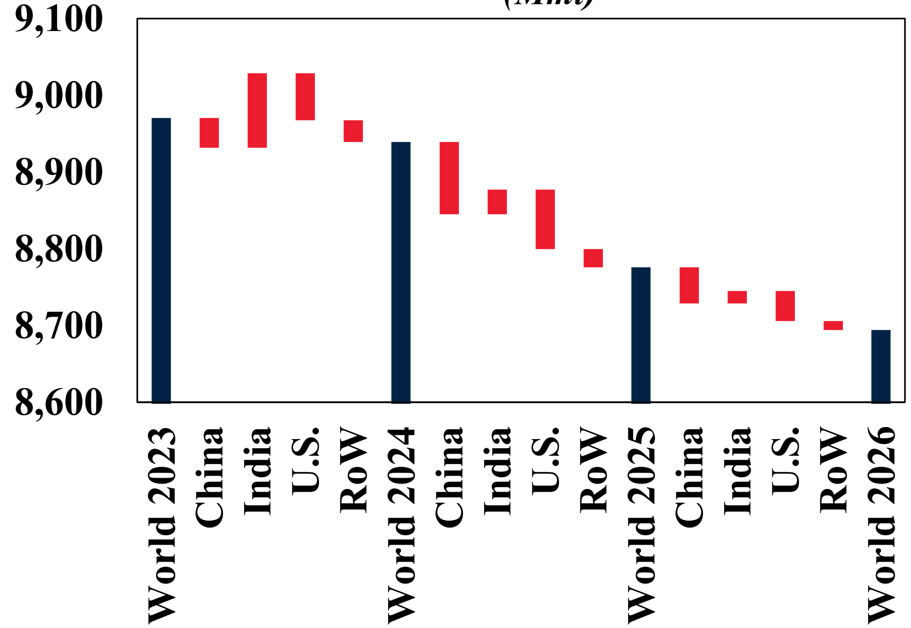
Global coal consumption and changes in main consumers

(Mmt)



Global coal production and changes in main producers

(Mmt)



Sources: International Energy Agency; World Bank.

Both Panels. Data for 2024 and 2025 are computed based on the IEA forecast for 2024-26. Blue bars indicate global levels of production and consumption, while red bars indicate the change in main producers and consumers. Data based on IEA annual coal report, 2023 edition, and IEA coal mid-year update (July 2024).

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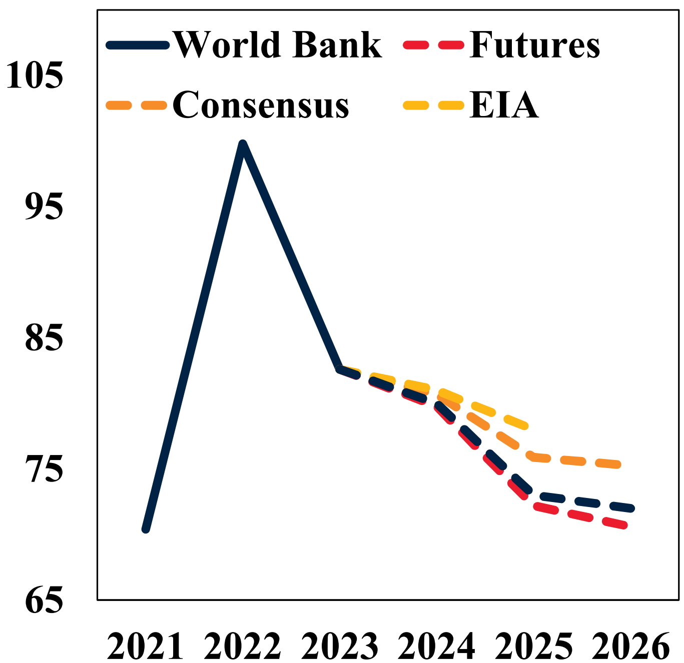
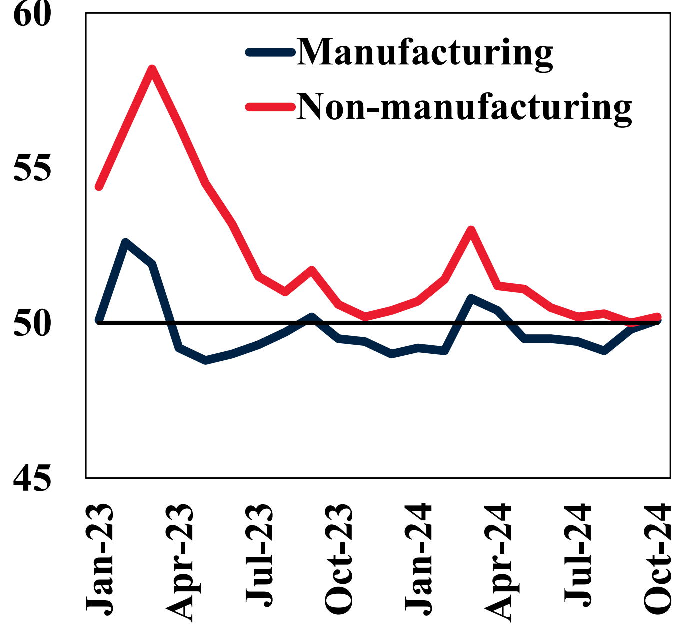
Decreasing oil prices in 2024, 2025 and 2026

Fours years of declining amid weak economic growth and robust supply

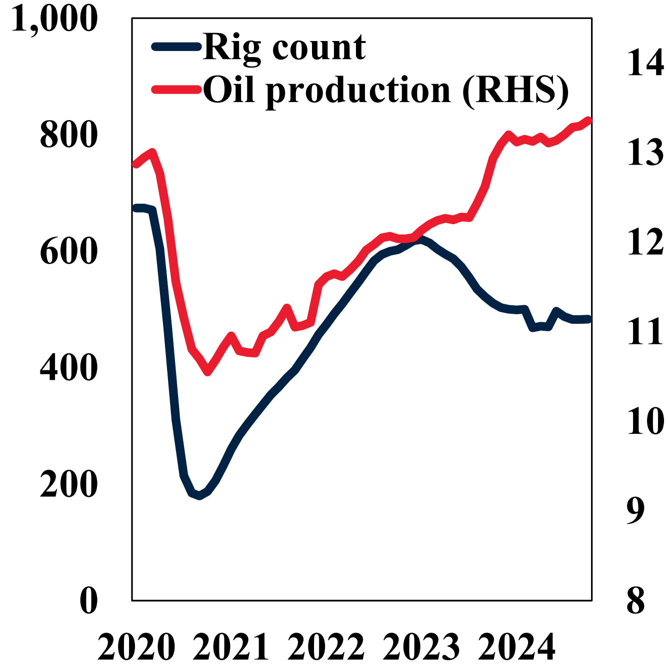
Price forecast comparisons
(US$/bbl)



China's PMIs: Manufacturing and non-manufacturing business activity
(Index, 50+ = expansion)



U.S. rig count and production
(Rig count, Mb/d)



Sources: Bloomberg; Consensus Forecasts; International Energy Agency (IEA); World Bank.
Left Panel. Brent crude oil forecasts for 2024 and 2025. Futures data as of October 18, 2024. Consensus data as of October 2024 report. EIA data from October issue of *Short-Term Energy Outlook*. Dashed lines indicate forecasts for 2024 - 2026. Middle Panel. PMI for Manufacturing and non-manufacturing in China, seasonally adjusted. Values above 50 indicate expansion. Right Panel. Three-month rolling averages. Latest data as of October 2024.

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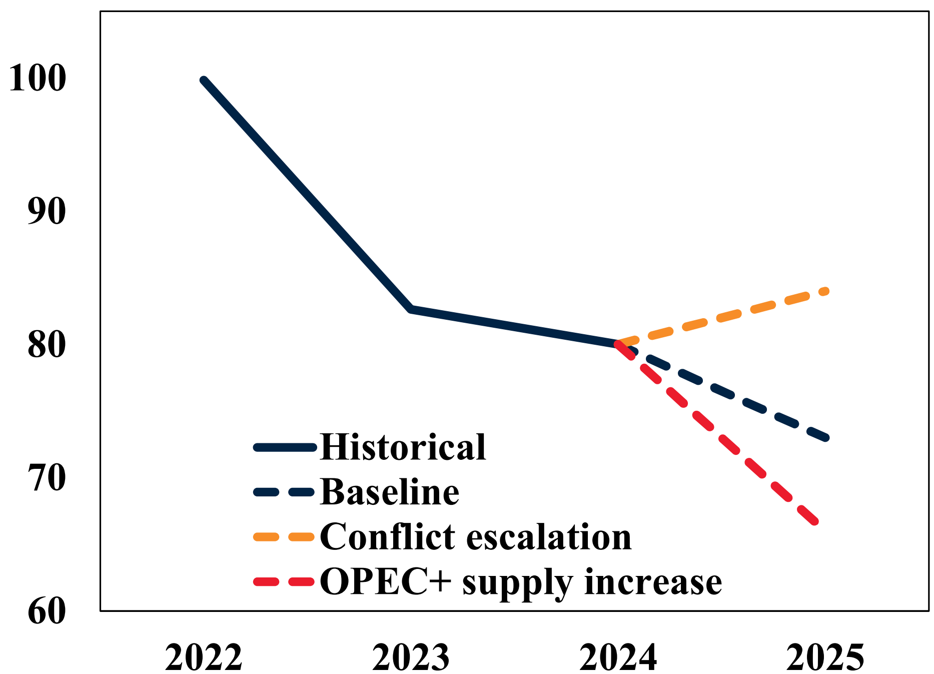
Highly uncertain oil prices

Conflict escalation and OPEC+ cut reversal as main risks to the forecast

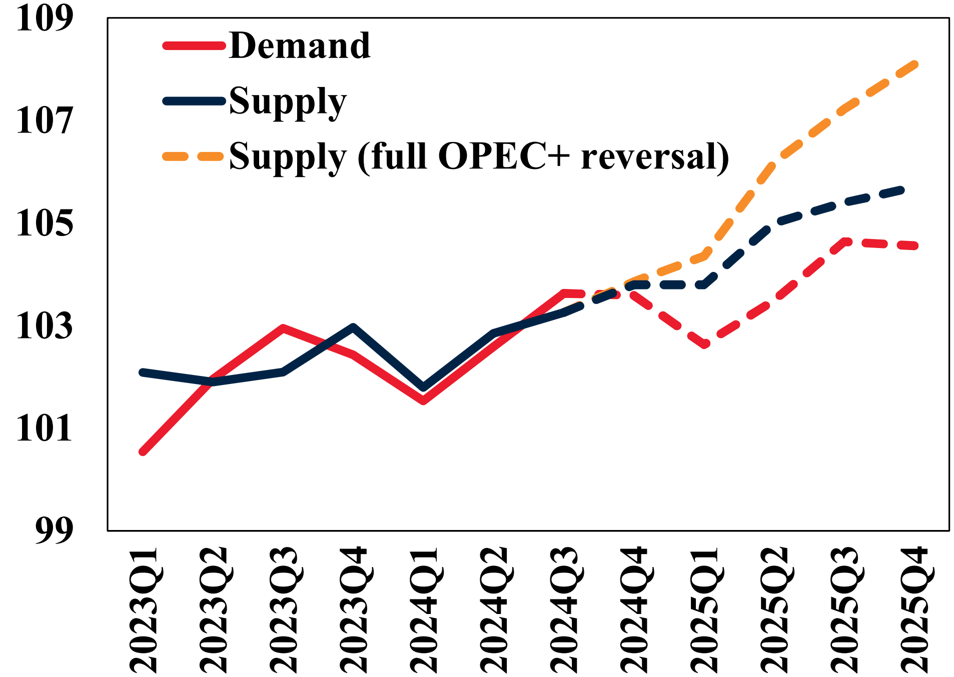
Brent oil prices in 2025 under risk scenarios

(US$/bbl)



OPEC+ cuts reversal and supply forecast

(Mb/d)



Sources: International Energy Agency (IEA); World Bank.
Left Panel. Blue dashed lines indicate baseline forecasts for the price of Brent oil. Oil prices are depicted as annual average values. Red line reflects a scenario in which OPEC+ production cuts are reduced sooner than in the baseline. Orange line depicts outcomes under conflict-related disruptions to oil supply. Right Panel. Supply and demand are based on data from IEA Oil Market Report, October 2024 edition. The supply forecast with a full OPEC+ reversal incorporates the schedule for cut reversals announced by OPEC+ on September 6, 2024, while assuming no response from other non-OPEC+ producers. Dashed lines indicate forecasts for 2024Q3 to 2025Q4.

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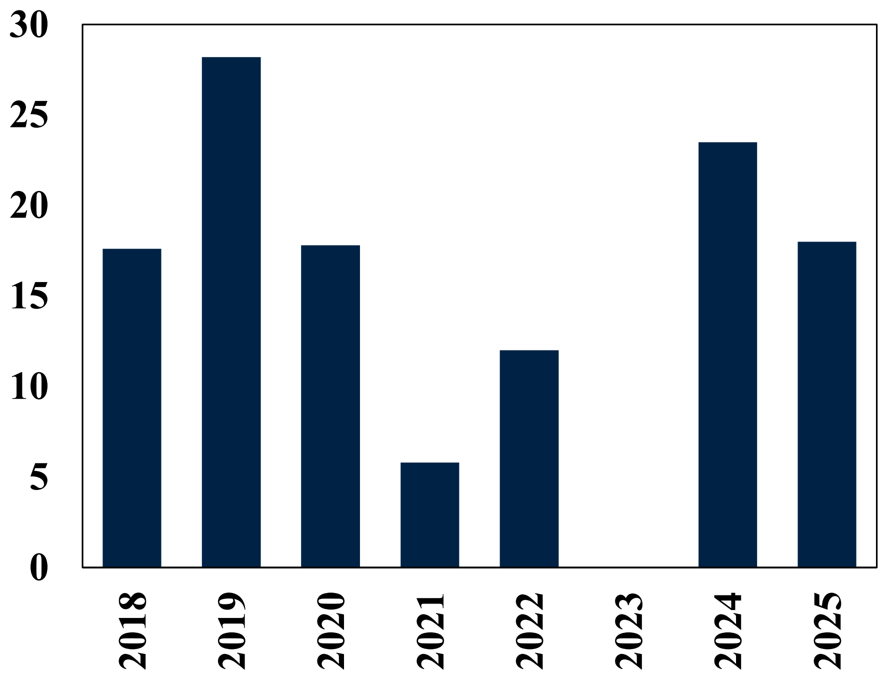
Supply and demand factors affecting natural gas and coal price

Risks including U.S. LNG supply and coal demand in China

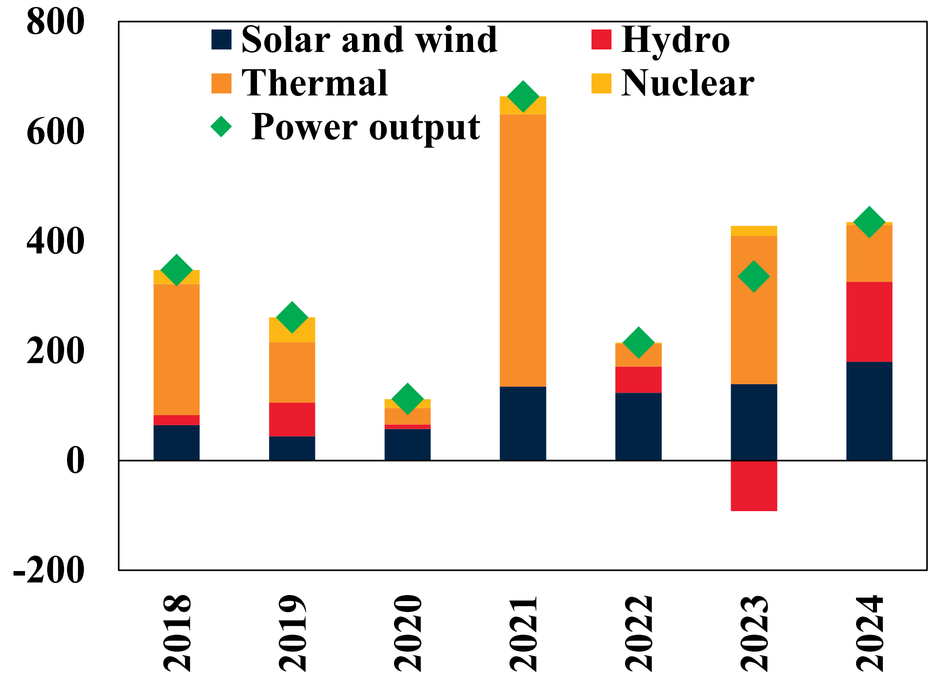
Additional U.S. liquefaction capacity

(Billion cubic feet)



Change in China's power output

(TWh)



Sources: National Bureau of Statistics of China (NBS); U.S. Energy Information Administration (EIA); World Bank.
Note. Left Panel. 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. 2024 and 2025 are EIA estimates based on up-to-date project information. Last update is 2024Q3.

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Agriculture

2

What is the outlook for agricultural and food prices, the risks to the outlook and recent trends in food insecurity?

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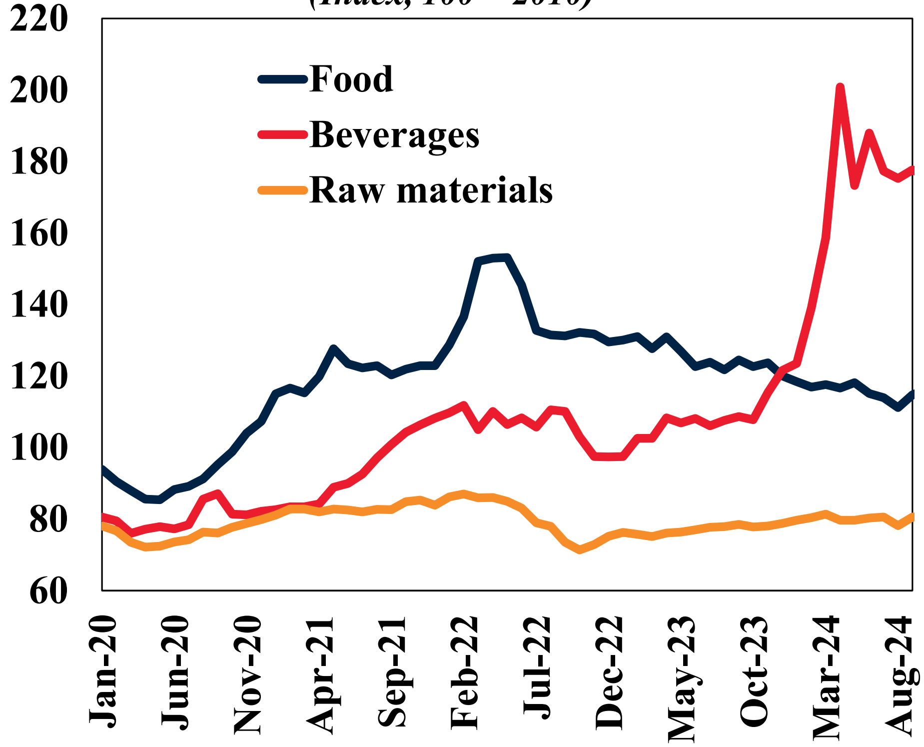
Agricultural prices edged up (y/y) but softened in the last quarter

Grains and oilseeds led the decline in food; beverage at historically high levels

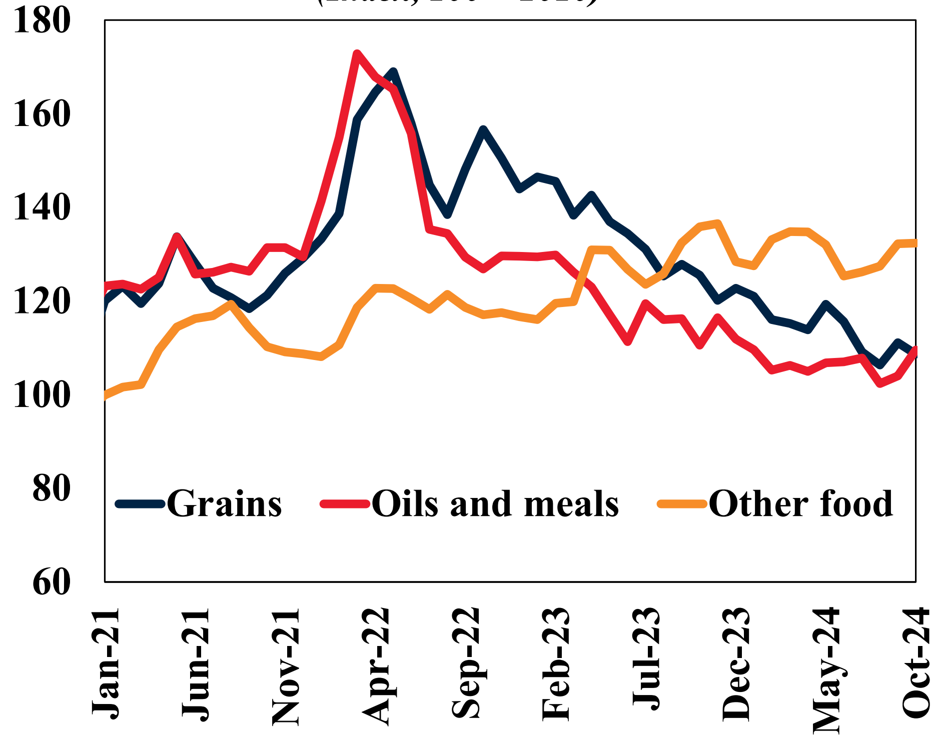
Agricultural price indexes

(Index, 100 = 2010)



Food price indexes

(Index, 100 = 2010)



Source: Bloomberg; S&P Global; USDA Agriculture;World Bank.
Note: Monthly data. Last observation is October 2024. Right panel: Wheat refers to US HRW benchmark, while Rice refers to Thai and 5% broken ratio.

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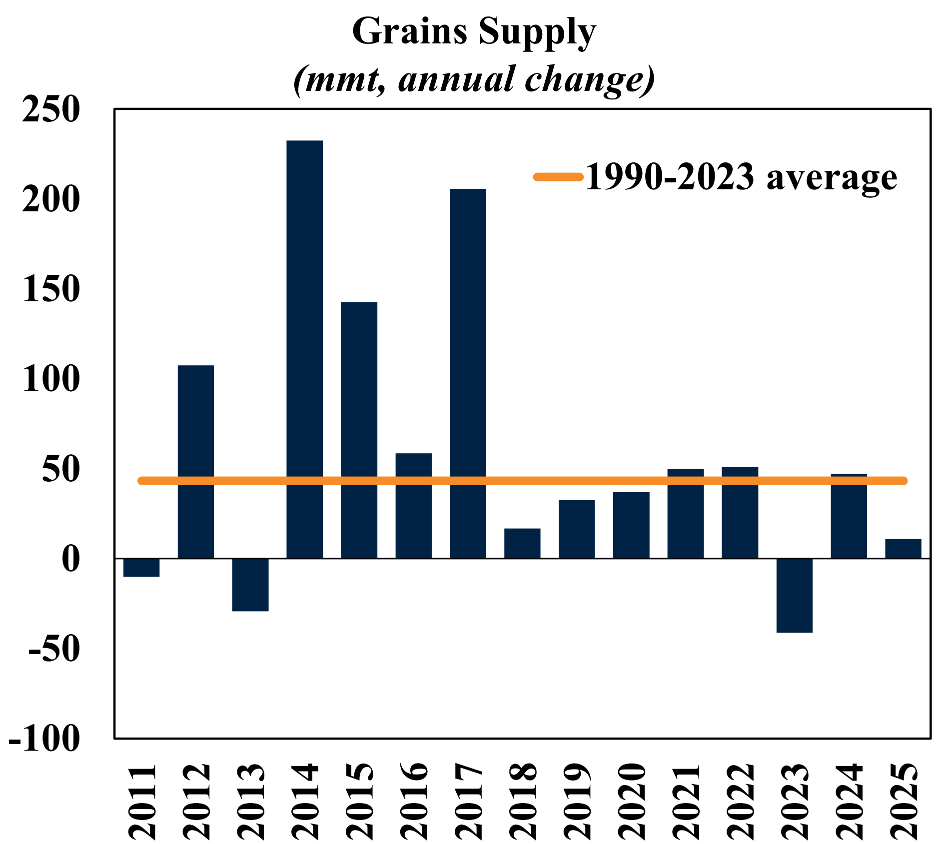
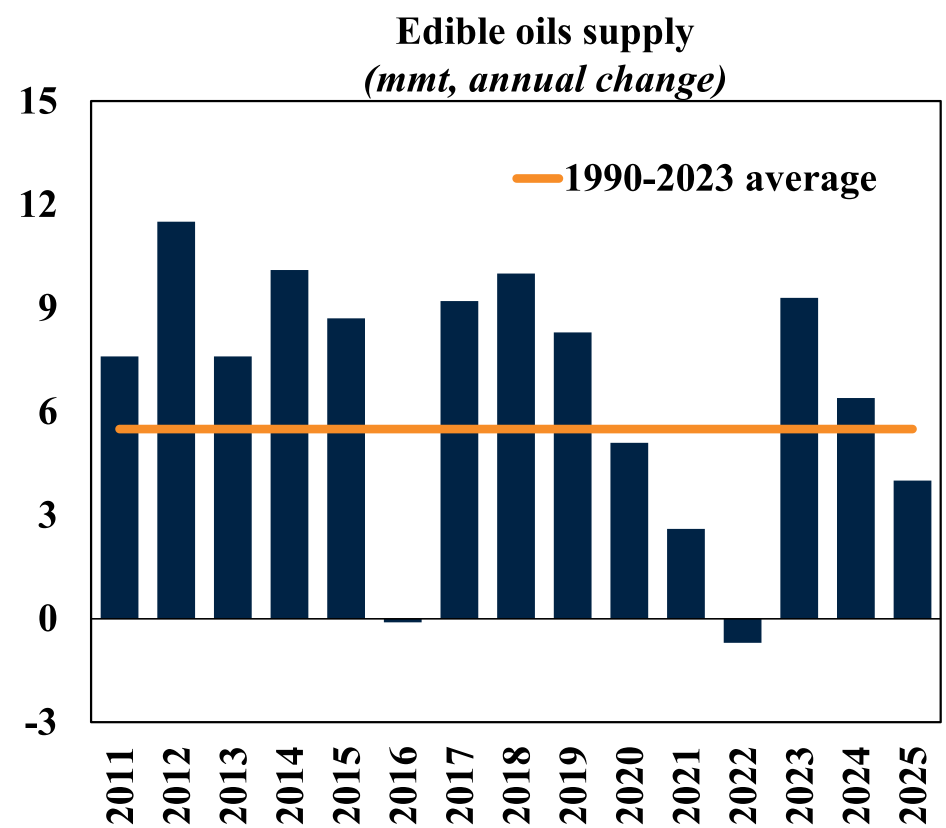
Improved supply outlook for grains and edible oil

Record or near record production in 23-24 and 24-25 for maize, wheat, rice, and soybeans





Sources: U.S. Department of Agriculture; World Bank
Note: Years represent crop season (for example, 2025 refers to 2024-25). Supply is the sum of beginning stocks and production. Data updated in October 11, 2024..

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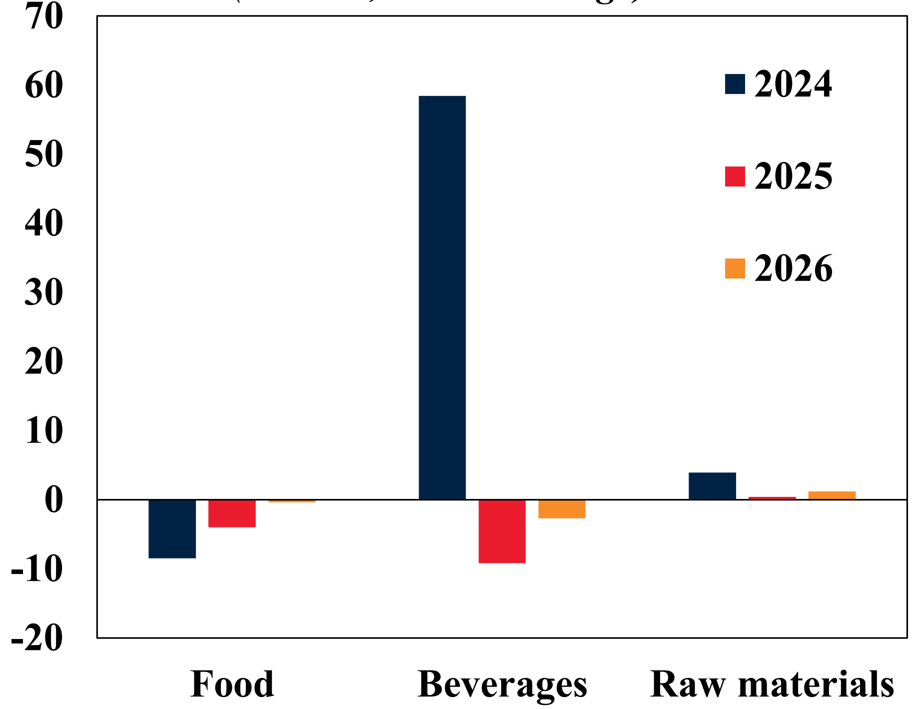
Falling food prices in 2024-25, stabilizing in 2026

Grains led the decline; beverage prices at historically high levels

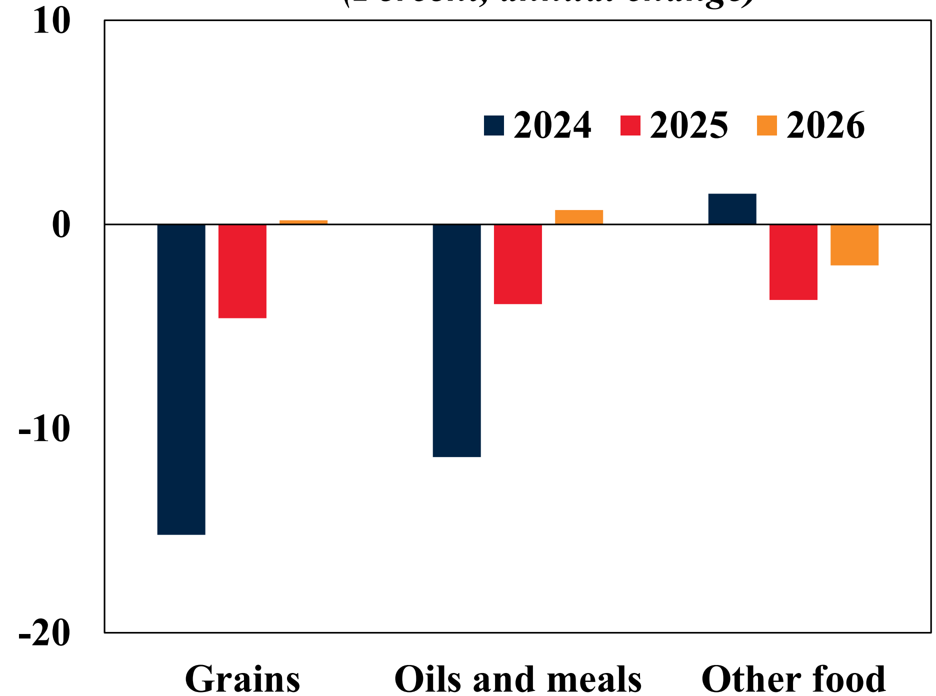
Agricultural price forecasts

(Percent, annual change)



Food price forecasts

(Percent, annual change)



Source: World Bank.
Note: 2024, 2025 and 2026 numbers refer to forecasts.

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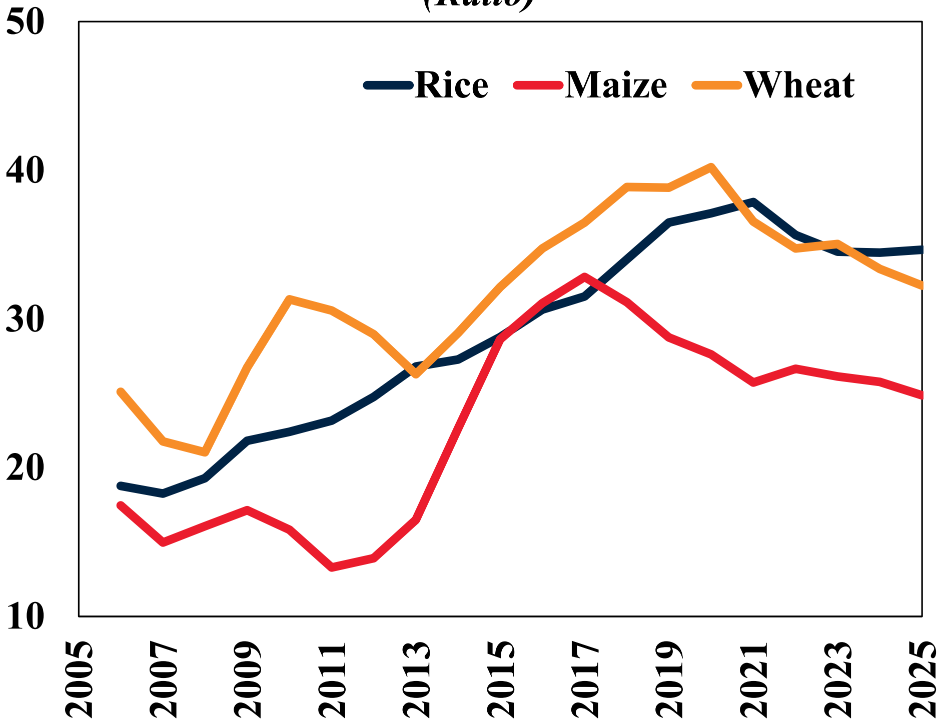
Stock-to-use ratios

Historically high for soybeans; stable for maize and rice; decline slightly for wheat

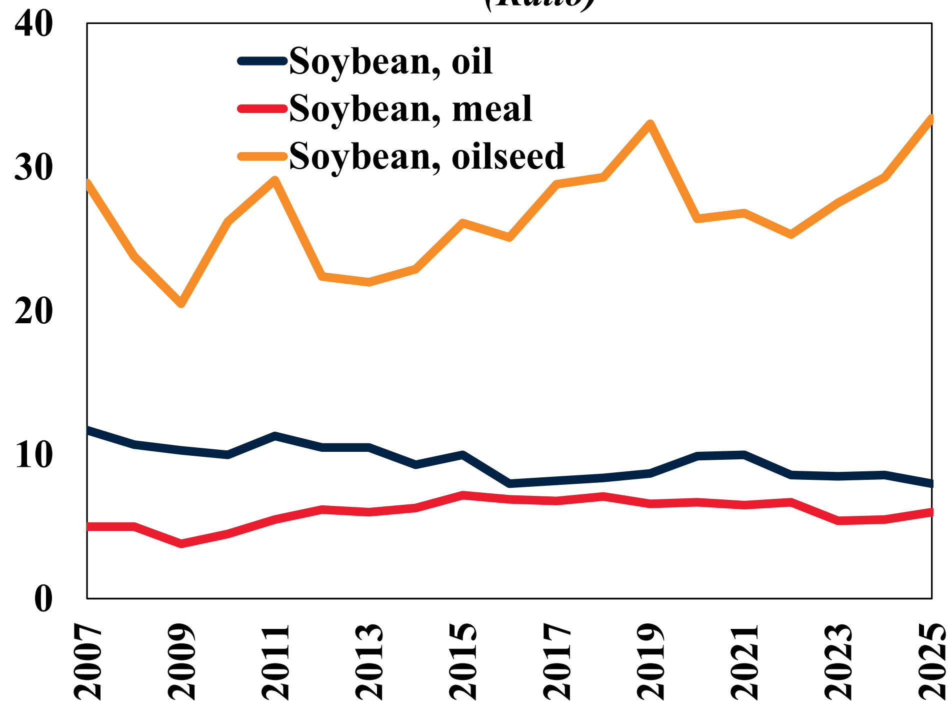
Stock-to-use ratio for grains

(Ratio)



Stock-to-use ratio for soybeans

(Ratio)



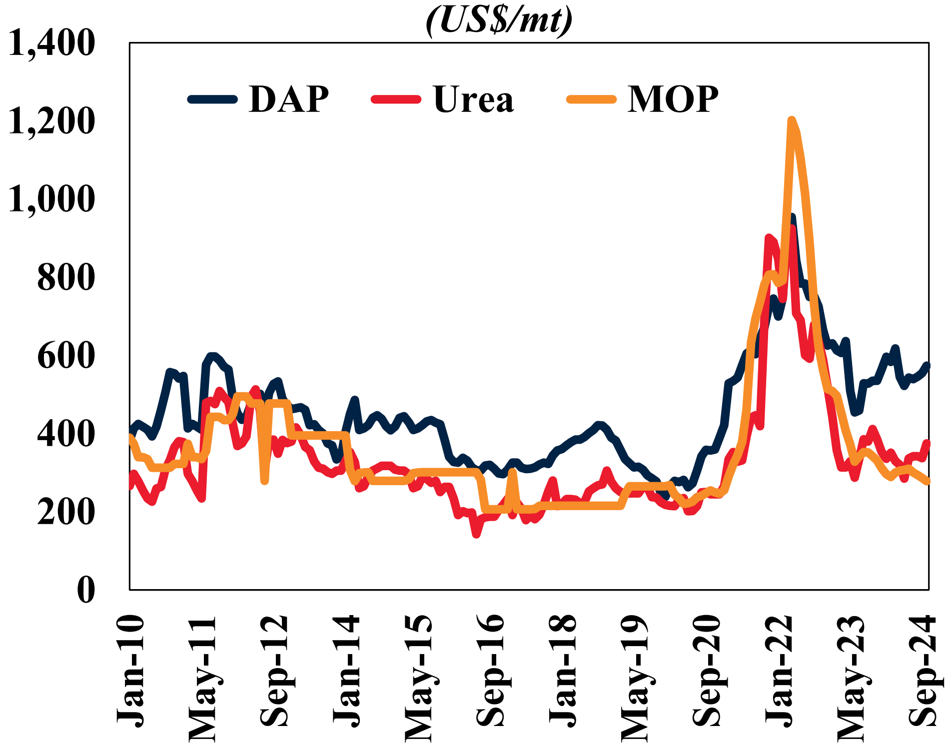
Sources: U.S. Department of Agriculture (USDA); World Bank.

Note: Years represent crop season (for example, 2025 refers to 2024-25). Stocks-to-use ratios is the ratio between domestic consumption and ending stocks. Data updated as of October 11, 2024.

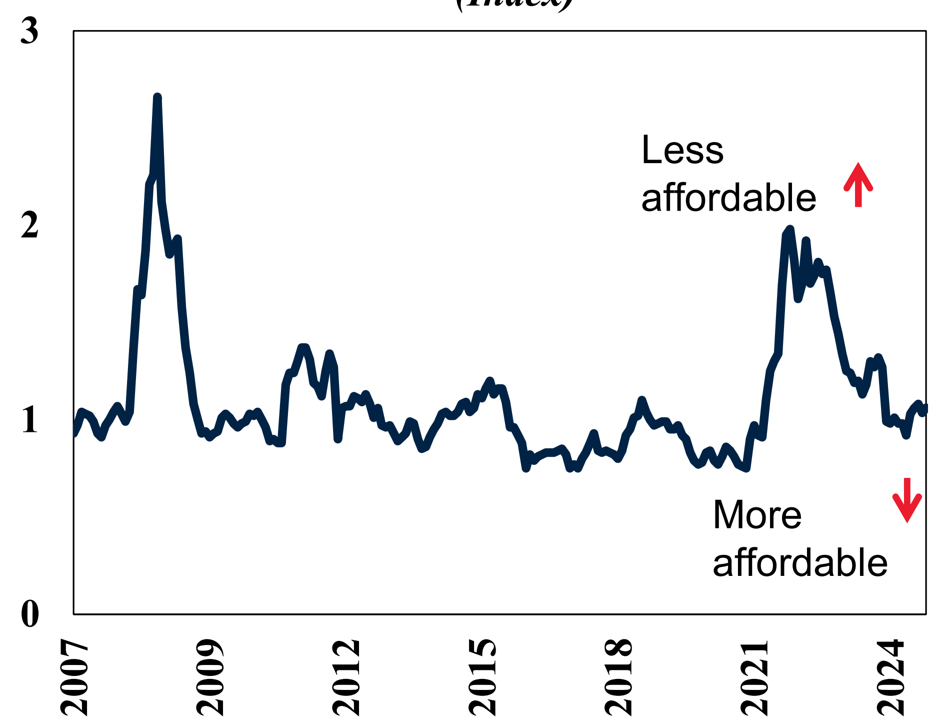
Fertilizer prices ticked up in 2024Q3; but a fifth lower than year ago

Affordability returns to its 2015-19 levels

Fertilizer Prices
(US$/mt)



Fertilizer affordability
(Index)



Sources: Bloomberg; General Administration of Customs (China); UN Comtrade; World Bank.
Left Panel DAP = diammonium phosphate; MOP = muriate of potassium; mt = metric tons. Monthly series. Last observation is October 2024.. Right Panel: Ratio of Fertilizer prices over Food price index. Last observation is October 2024.

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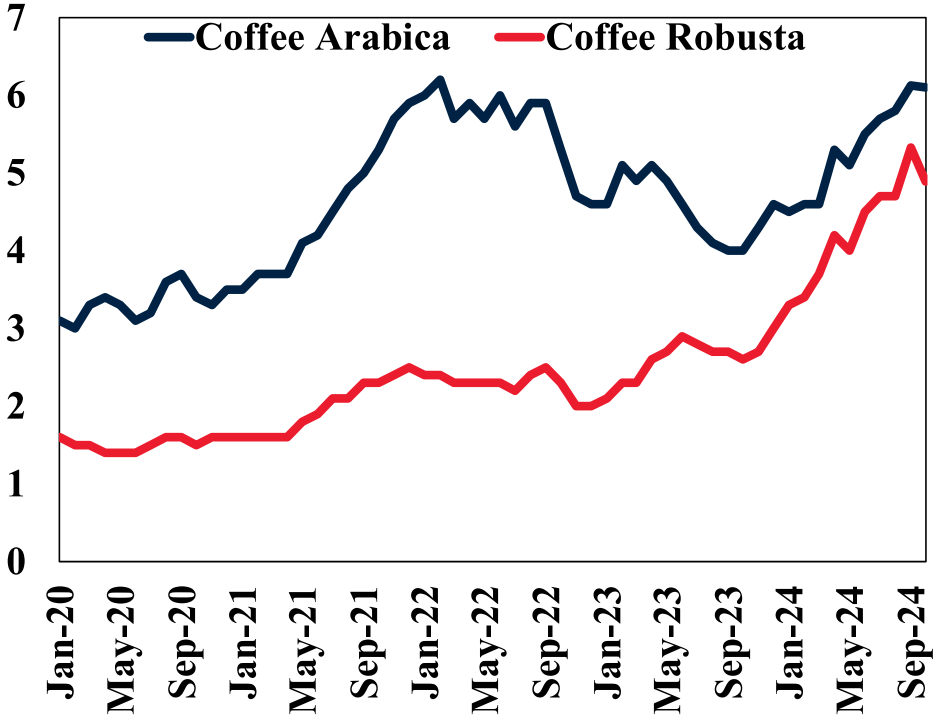
Robusta Coffee prices doubled; Arabica up 40% (y/y)

Weather conditions improving in Viet Nam; concerns in Brazil

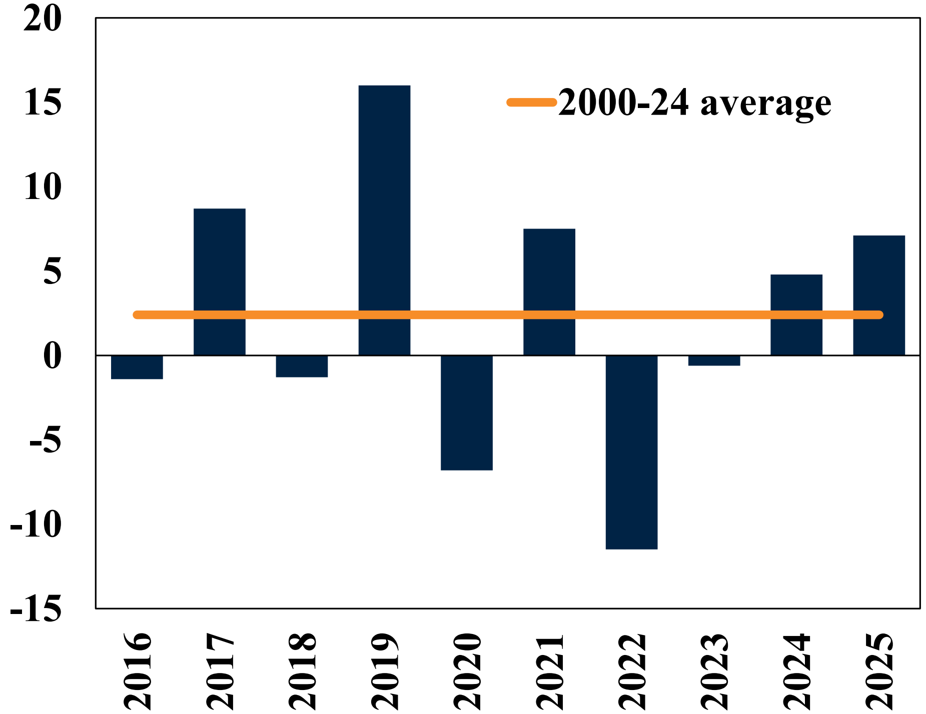
Coffee prices

(US$/kg, US$/kg)



Global coffee production

(Millions of 60 kg bags, annual change)



Sources: Bloomberg; U.S. Department of Agriculture, World Bank.
Left Panel: Monthly data. Last observation is October 2024. Right Panel: Years represent crop season (for example, 2021 refers to 2021-22). Data updated as of October 11, 2024.

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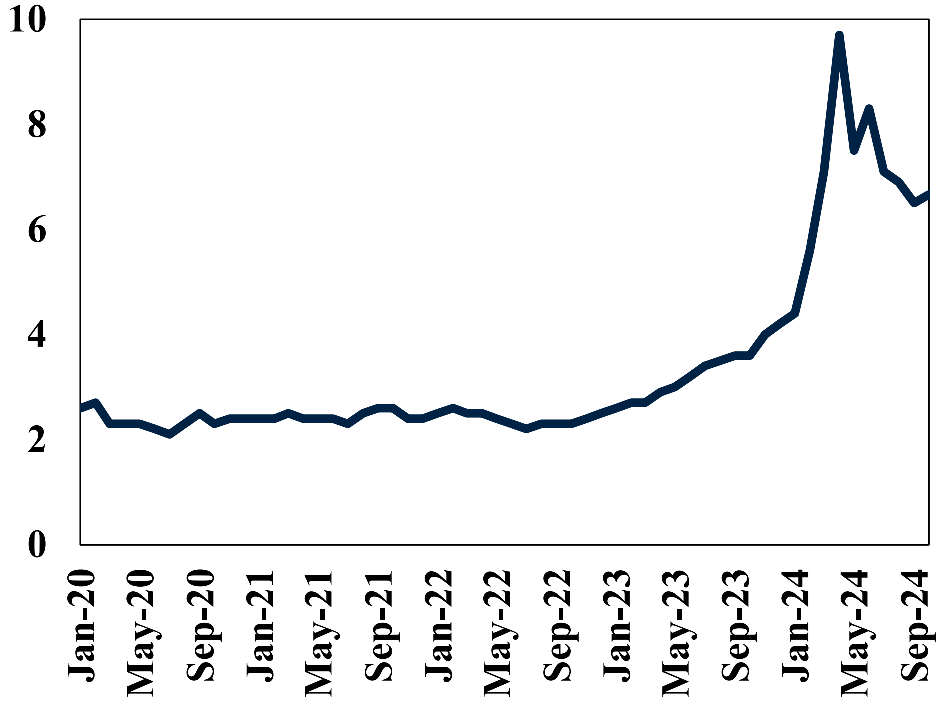
Cocoa prices fell 20% in 2024Q3; but nearly double from a year ago

Global cocoa production declined 14% in 2023-24; weather improved in West Africa

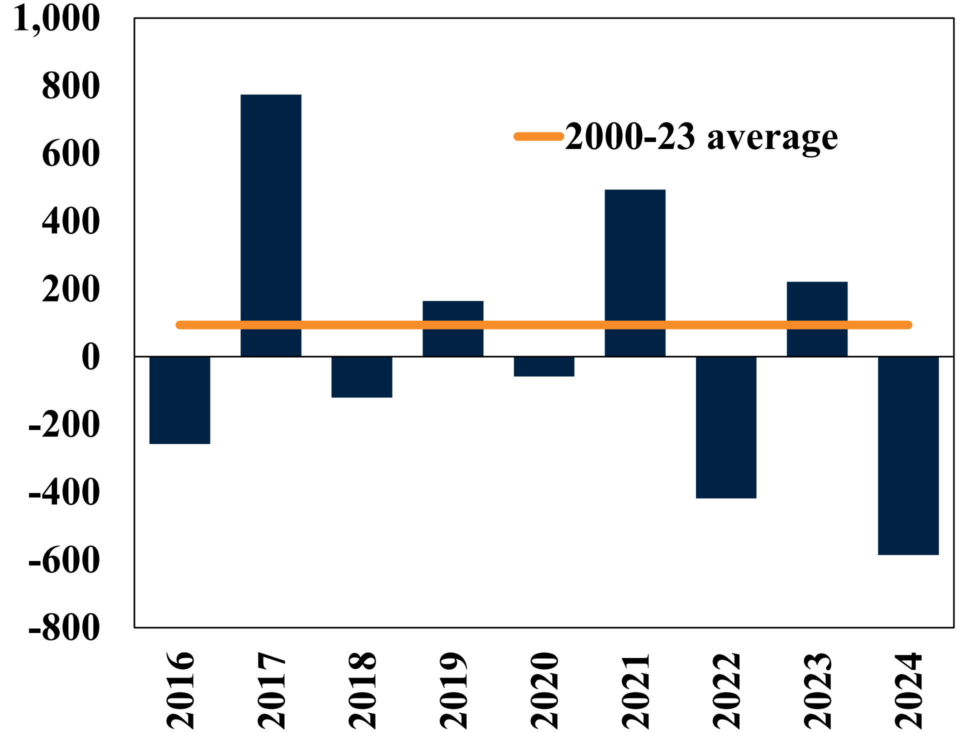
Cocoa prices

(US$/kg)



Cocoa production

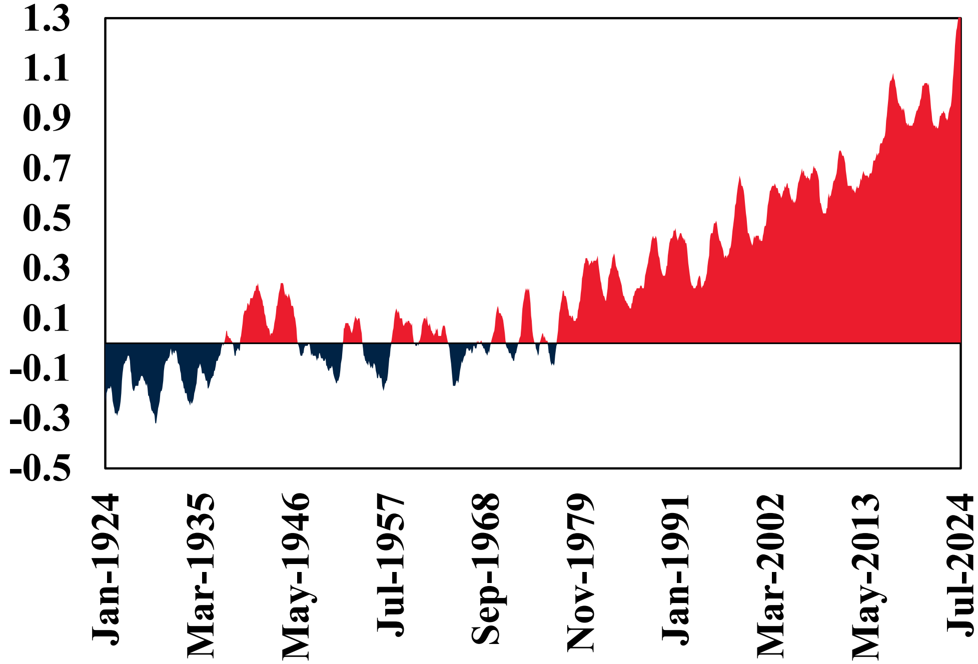
(mt, thousands, annual change)



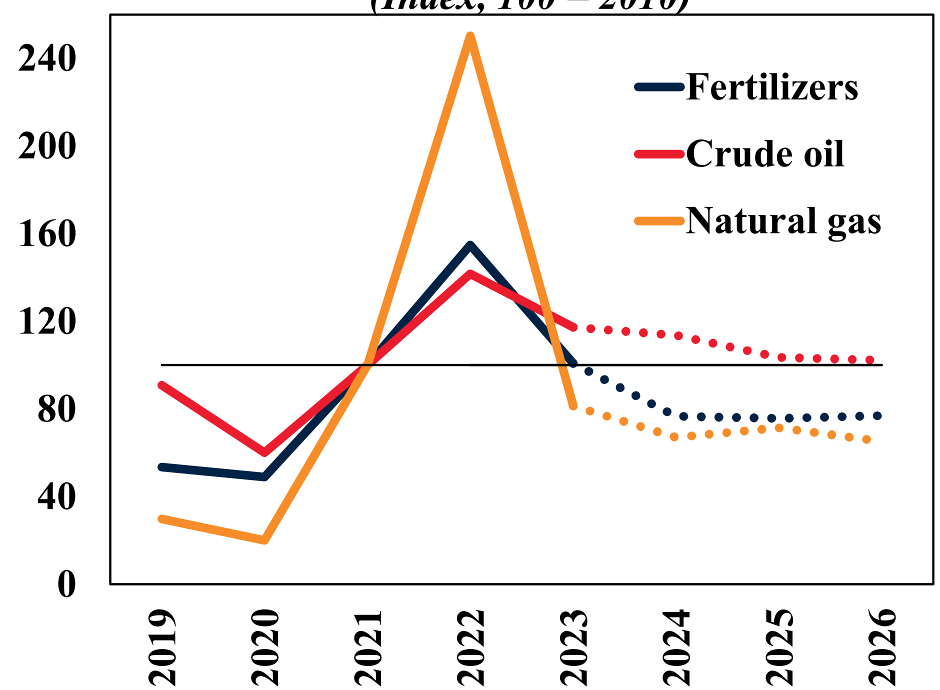
Sources: Bloomberg; International Cocoa Organization (ICCO);World Bank.
Left Panel: Monthly data. Last observation is October 2024. Right Panel: Years represent crop season (for example, 2024 refers to 2024-24). Data updated as of October 2024. Data for 2023-24 is ICCO forecast.

Upside risks: *heat waves, escalation of conflicts, biofuel policies*
Downside risks: *Low energy prices, La Niña*

12-month average temperature anomaly relative to the 1901-2000 average *(Degrees Celsius)*



Commodity price forecasts *(Index, 100 = 2010)*



Sources: National Oceanic Amospheric Administration; World Bank.
Left Panel: The 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 August 2024. Right Panel: Dashed lines indicate forecasts. Crude oil refers to the Brent benchmark and natural gas to the European benchmark.

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Metals and minerals

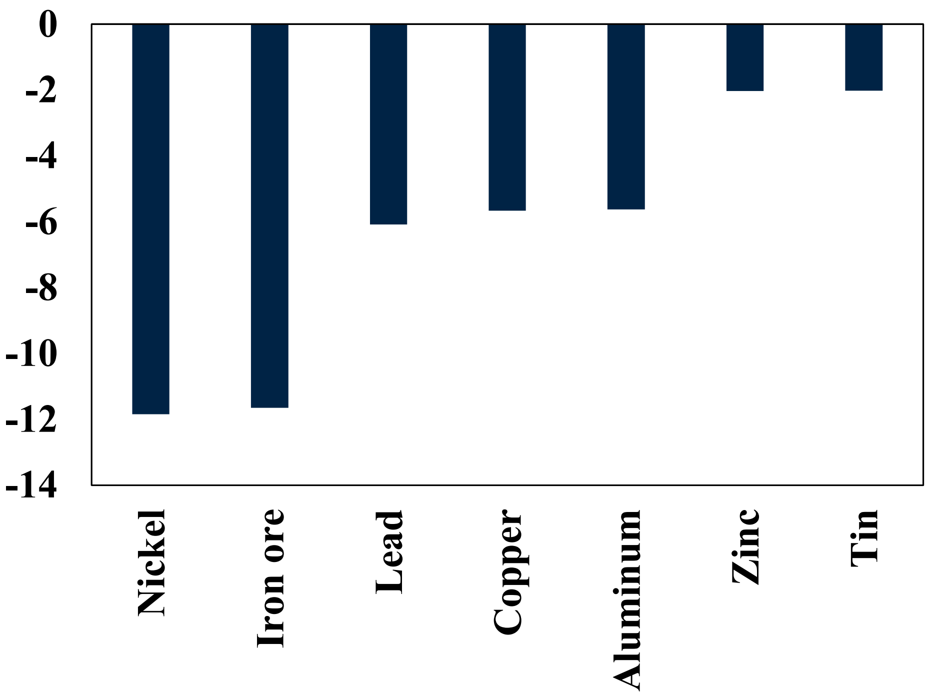
3

What is the outlook for metal and minerals prices and the risks to the outlook?

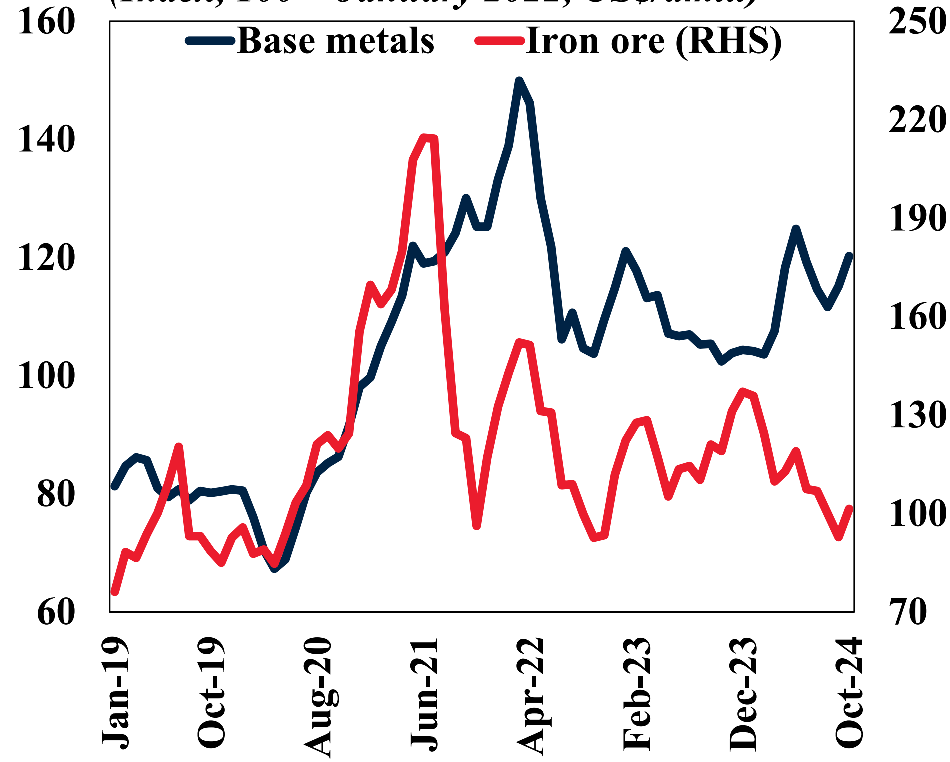
Metal prices have seen broad-based declines

Prices falling, but they remain above pre-pandemic levels

Quarterly changes in metal prices
(Percent change, 2024Q3, q/q)



Base metal index and iron ore prices
(Index, 100 = January 2022, US$/dmtu)



Sources: Bloomberg; World Bank.
Note: Left Panel. Quarter-on-quarter changes in base metals and iron ore prices. Right Panel. Last observation is October 2024.

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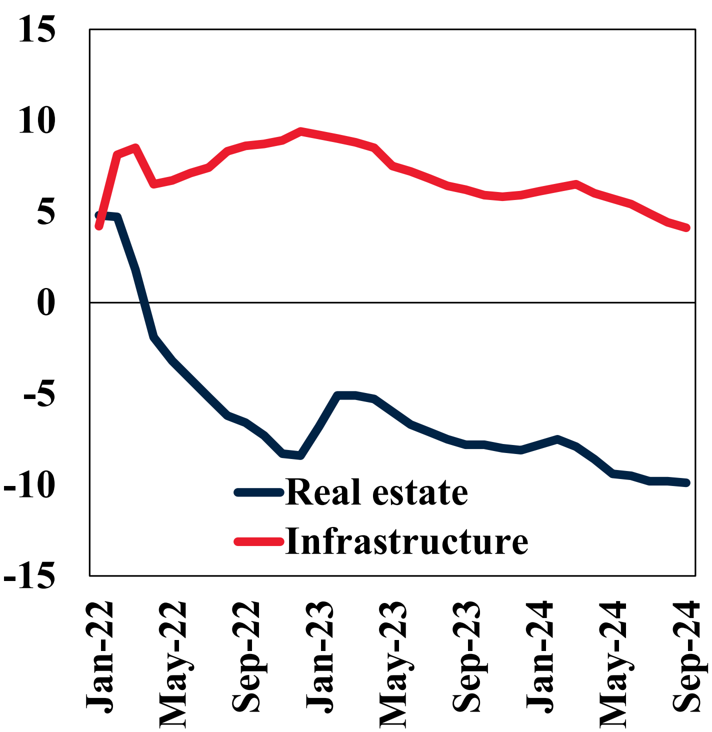
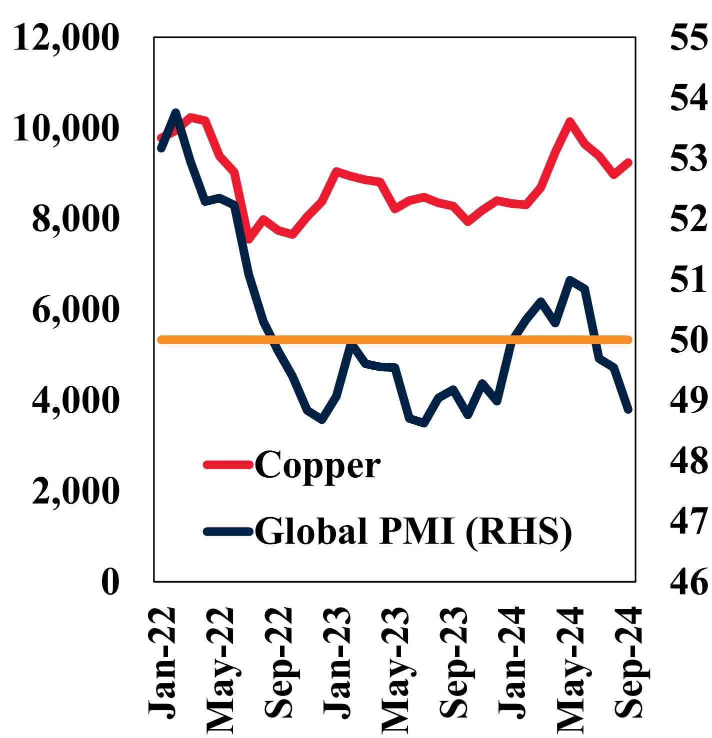
Weak industrial activity

Signs of slowing demand; steady supply growth

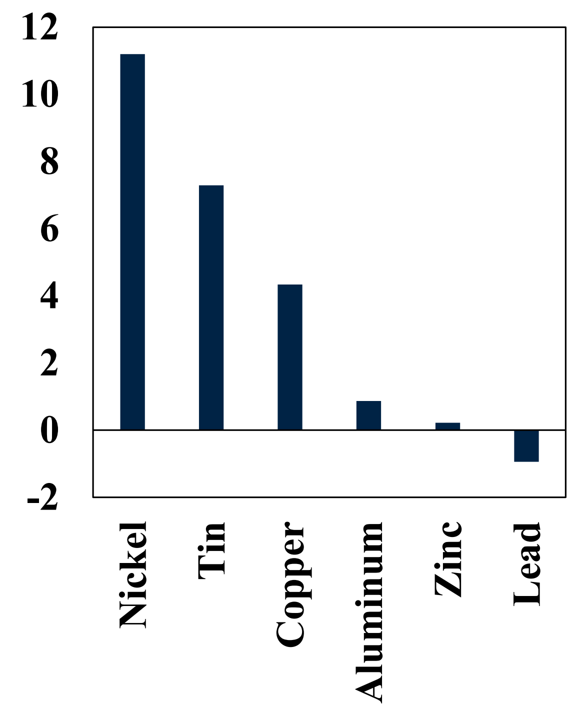
China: Fixed asset investment growth
(Percent)



Copper prices and global manufacturing PMI
(US$/mt, Index, +50 = expansion)



Base metals: Production growth, 2024H1
(Percent)



Sources: Bloomberg; Haver Analytics; Refinitiv (database); World Bank.
Note: Left Panel. Year-on-year change in real estate and infrastructure investment. Middle Panel. Last observation is September 2024. Right Panel. Year-on-year change in global metal production in 2024H1, compared to 2023H1.

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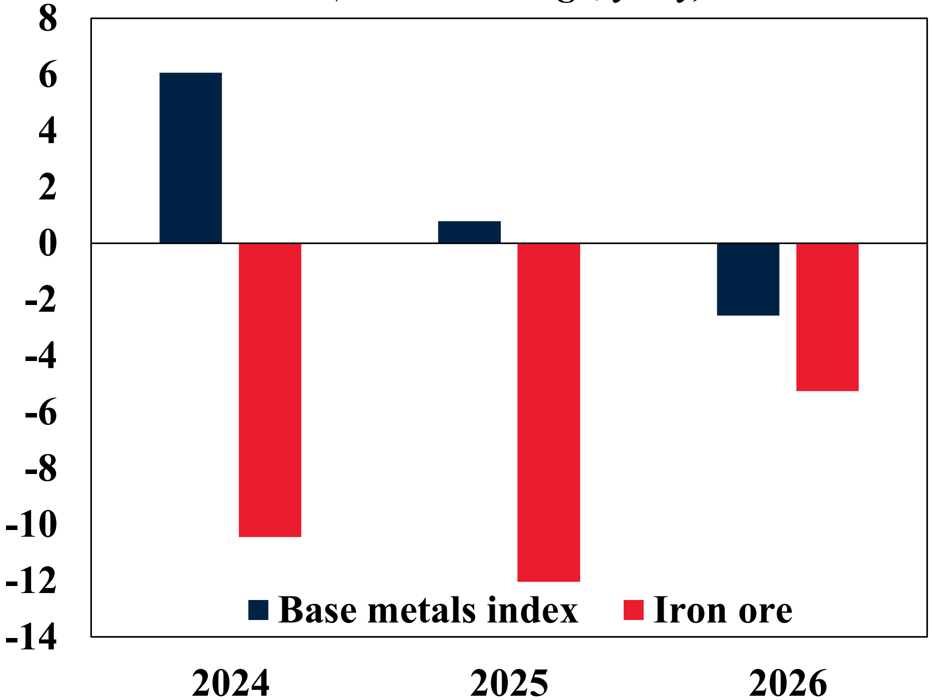
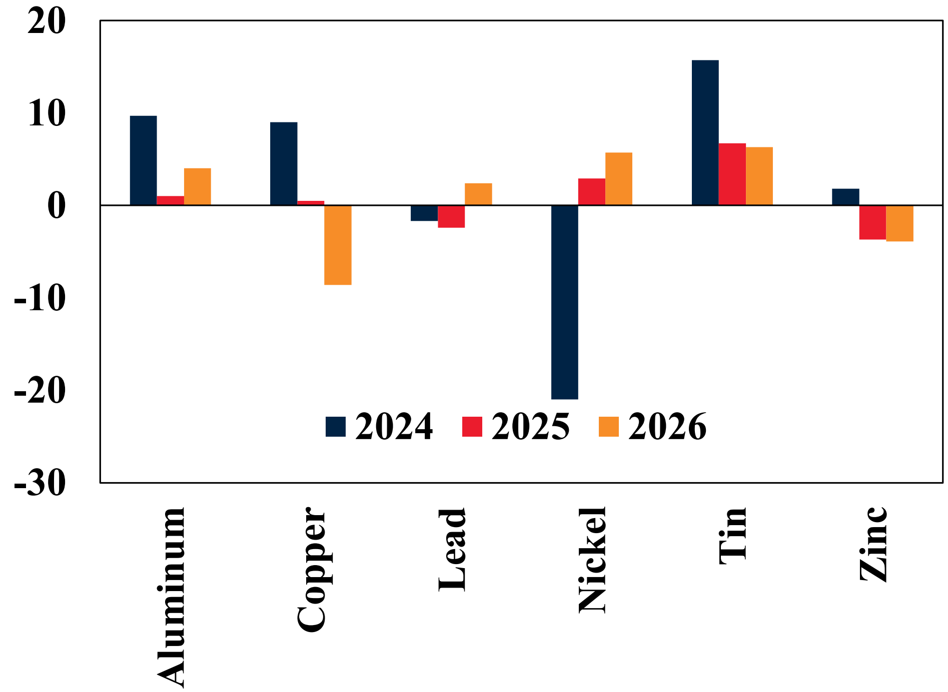
Price forecasts

Demand expected to remain subdued; stable prices

Changes in base metals index and iron ore prices
(Percent change, y-o-y)



Changes in base metals prices
(Percent change, y-o-y)



Source: World Bank.
Left Panel. Year-on-year change in base metals index price and iron ore price. Right Panel. Year-on-year price changes in base metal prices.

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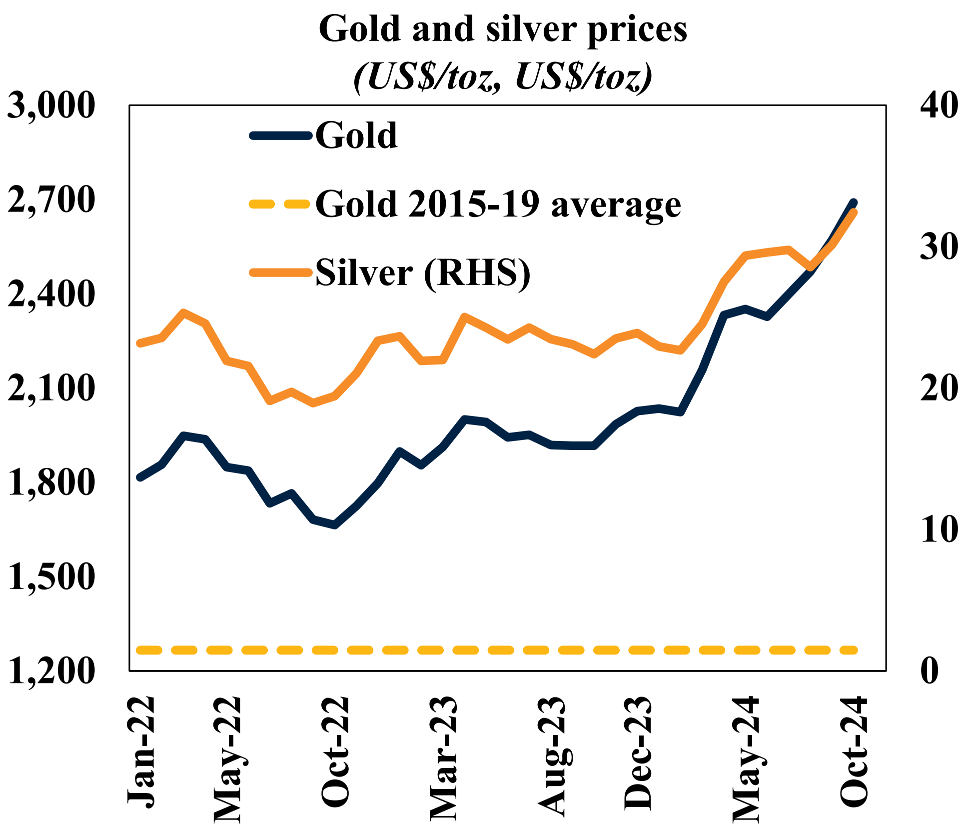
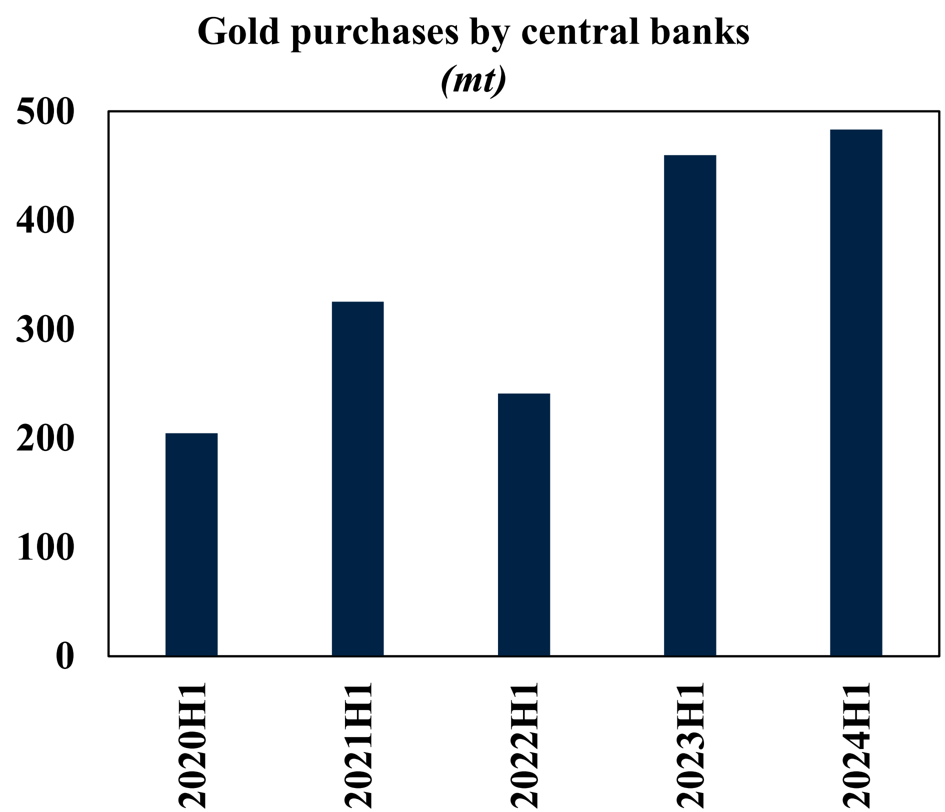
Precious metal prices

Record price levels for gold; strong demand



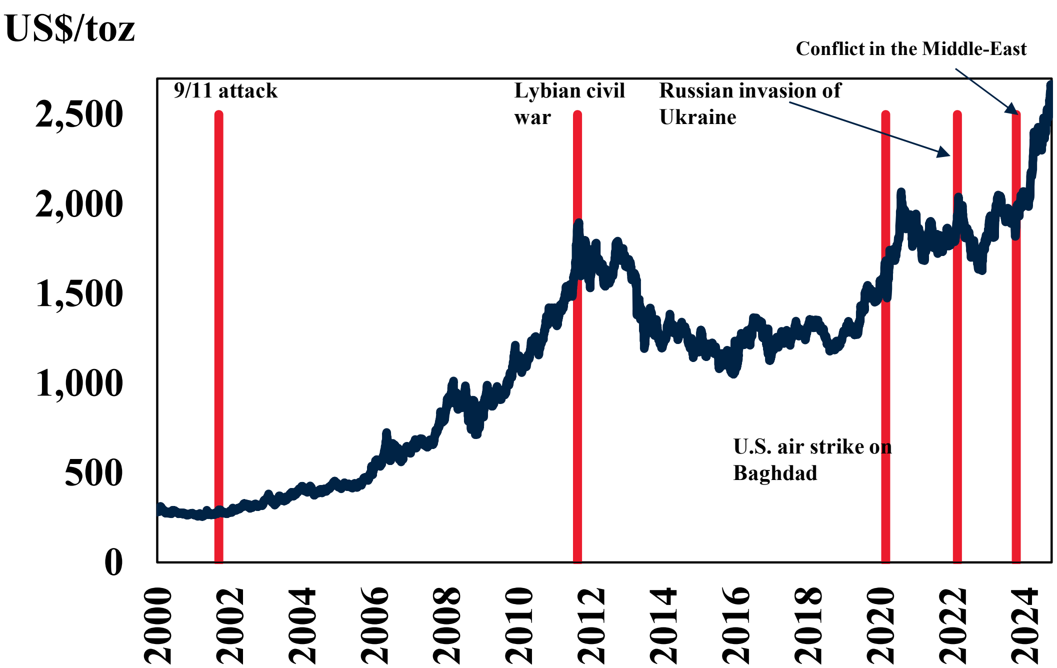


Sources: Bloomberg; World Bank; World Gold Council.
Note: Left Panel. Last observation isOctober2024. Right Panel. Gold purchases by central banks and other official sector institutions for the first half of each year, in metric tons.

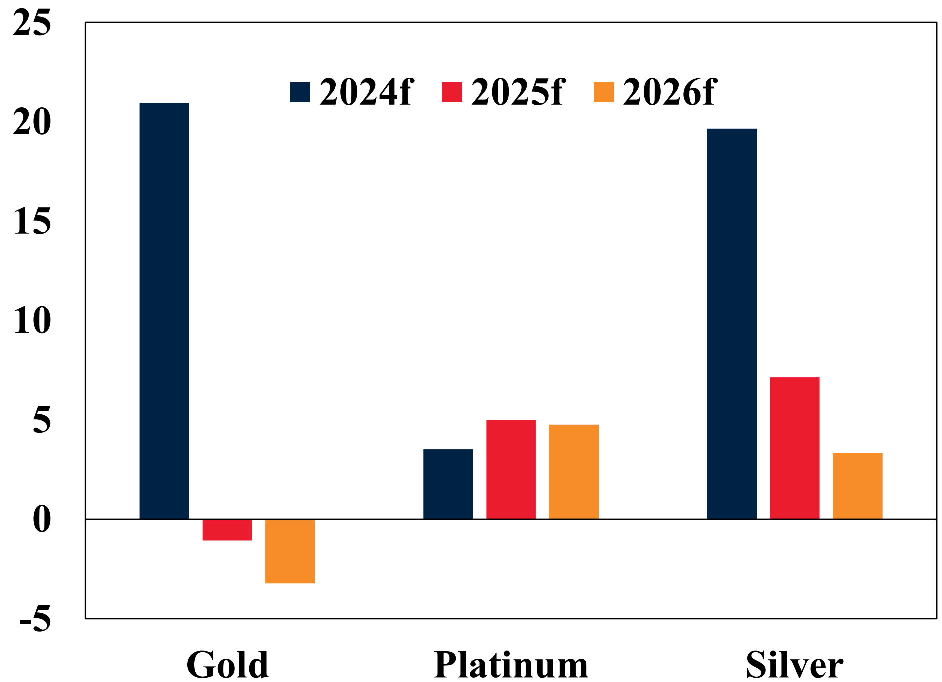
Price forecasts

Heightened geopolitical tensions

Gold prices and conflicts
(US$/toz)



Gold, silver, and platinum price forecasts
(Percent change, y-o-y)



Sources: Bloomberg; World Bank.
Note: Left panel. Daily data. Last observation is October 3, 2024. Red vertical lines show adverse geopolitical events. Right panel. Year-on-year price changes in precious metal prices.

Key risks to price outlook for metals

Risks to the price forecasts are broadly balanced

Upside

- Concerted stimulus policies in China (fiscal measures)
- Production disruption (labor disputes, protests, power disruptions)
- Trade restrictions (export bans)

Downside

- Weaker than expected growth in China. China accounts for 60 percent of global metal demand.

Summary of key messages

1

***Recent developments in commodity markets**: The World Bank's commodity price index fell in 2024Q3 but remains 40 percent above pre-COVID levels. Both energy and non-energy prices dropped by 4 percent over the previous quarter.*

2

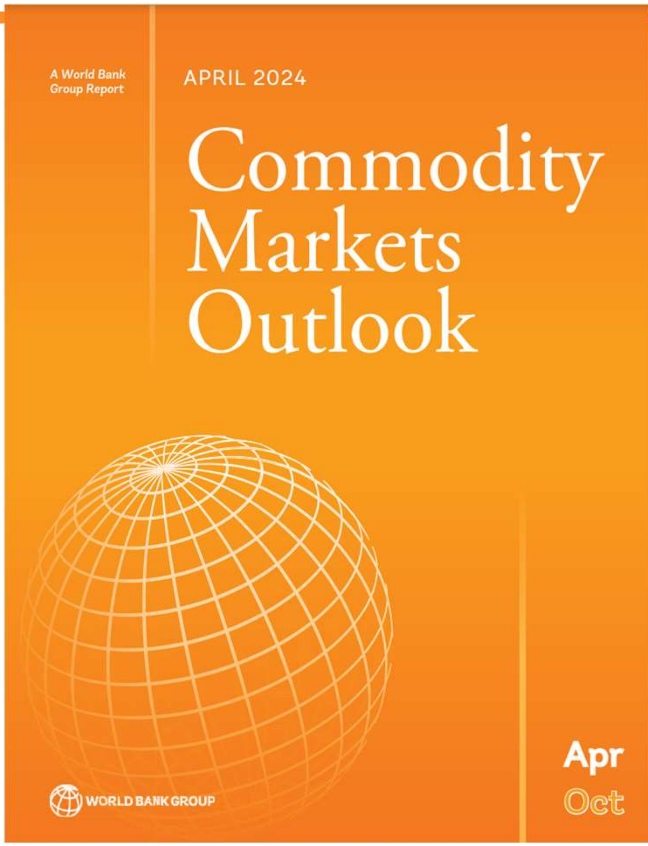
***Outlook**: Prices are expected to fall further in 2025 and 2026. Energy prices are expected to fall by 6 percent and 2 percent in 2025 and 2026. Non-energy prices are forecast to fall by 3 percent in 2025 and broadly stabilize in 2026.*

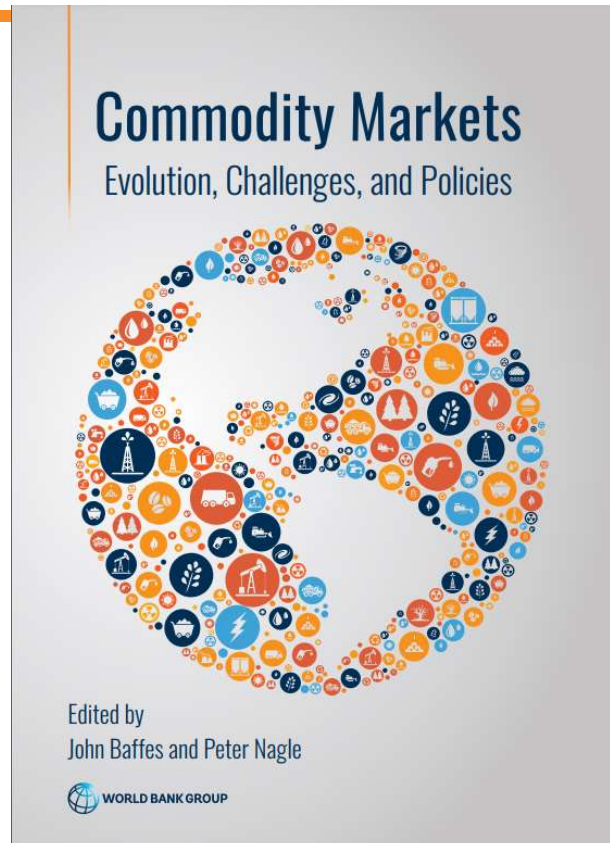
3

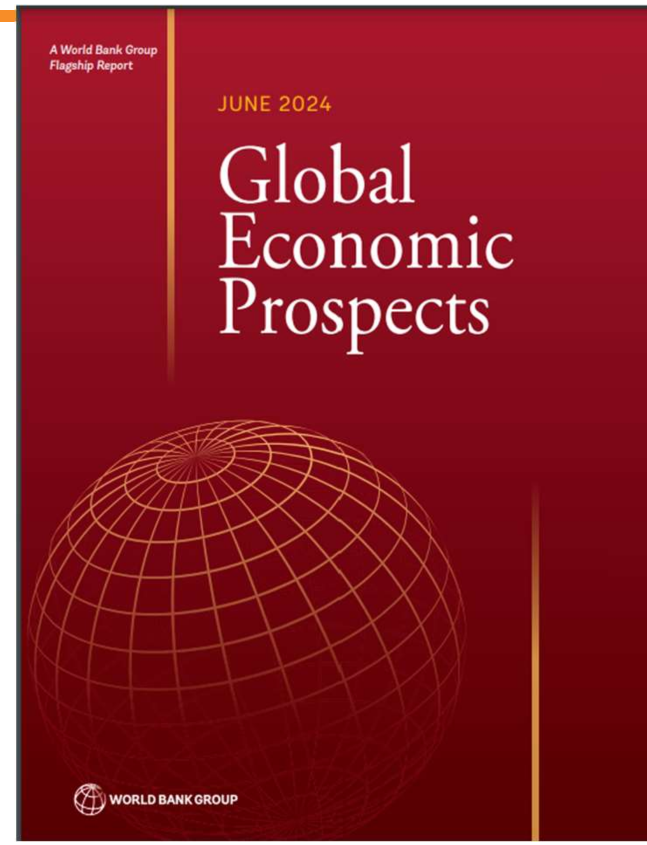
***Risks**: Key risks to price forecast include escalation of Middle-East conflict for energy and gold; demand conditions in China for base metals and energy; extreme weather and energy prices for agriculture and natural gas.*

JK1

www.worldbank.org/commodities







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JK0 [@Kaltrina Temaj] please replace with April 2024 CMO cover. [@Dawit Kelemework Mekonnen] [@Paolo Agnolucci]
Jeetendra Khadan, 2024-11-07T16:46:17.833

JK1 [@Kaltrina Temaj] please replace with June 2024 GEP cover. [@Dawit Kelemework Mekonnen] [@Paolo Agnolucci]
Jeetendra Khadan, 2024-11-07T16:46:48.197

Thank you for your attention.
Questions?

SPECIAL FOCUS

Commodity Price Synchronization: A New Era?

4

I. How has commodity price synchronization changed over the past five decades?

II. How do drivers of synchronized commodity price cycles during the pandemic-induced global recession of 2020 compare with those during the global financial crisis (GFC) of 2009?

Synchronized Cycle in Commodity Prices

Post-pandemic influenced by both economic recovery and geopolitical shocks

Key Findings

Synchronization in commodity prices.

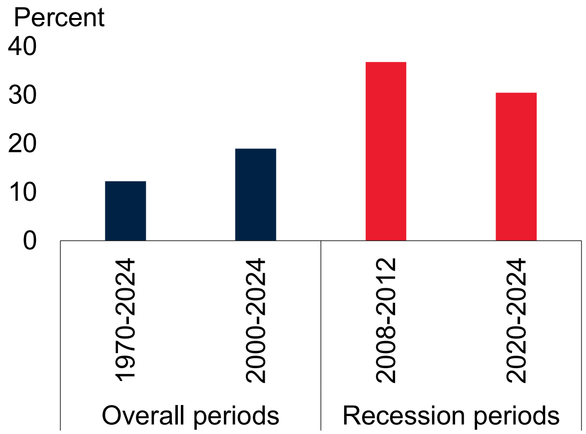
- Commodity price synchronization has risen in recent decades, especially during periods of global economic stress.

Drivers of post-pandemic synchronized commodity cycle.

- Post-GFC broad-based commodity price movements were driven by economic recovery and strong EMDE growth.
- In the post-pandemic era, global commodity prices were also influenced by shocks such as geopolitical tensions.

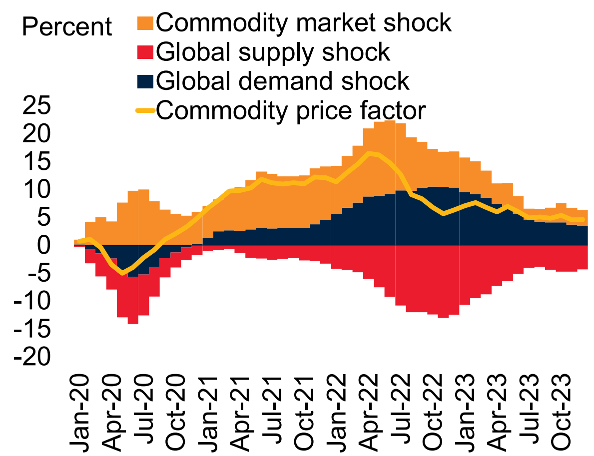
Commodity price variation due to the common factor during selected periods

(Percent)



Historical decomposition—Pandemic Era

(Percent)



Sources: World Bank.
Left Panel. Share of variation in month-on-month growth of 35 commodity prices accounted for by the common commodity factor. Right Panel. Cumulative historical decomposition of common commodity price factor into global demand, global supply, and commodity market-specific shocks.

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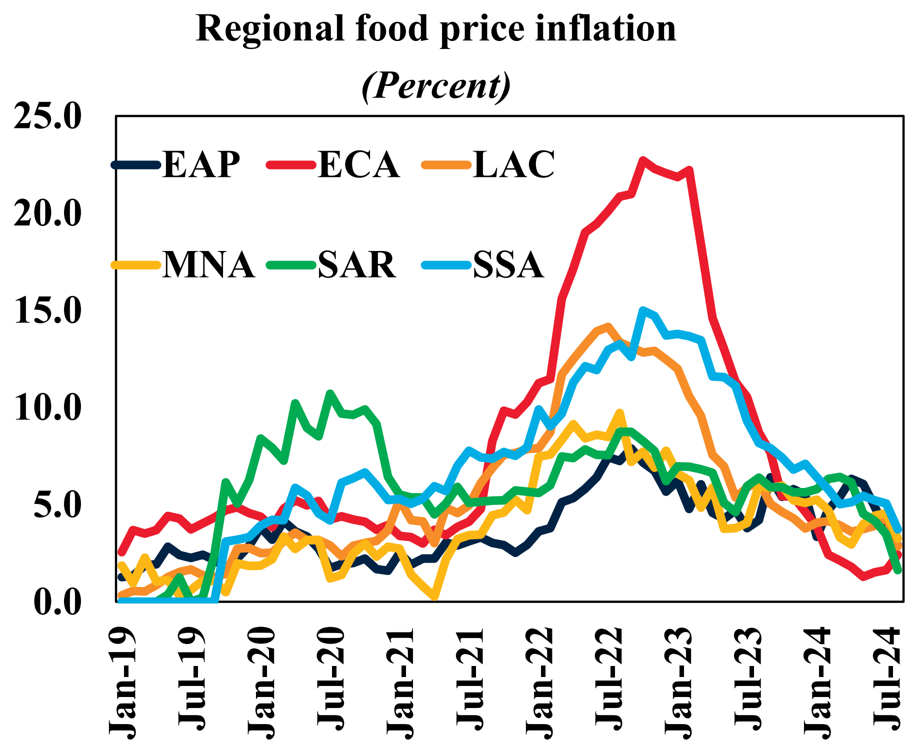
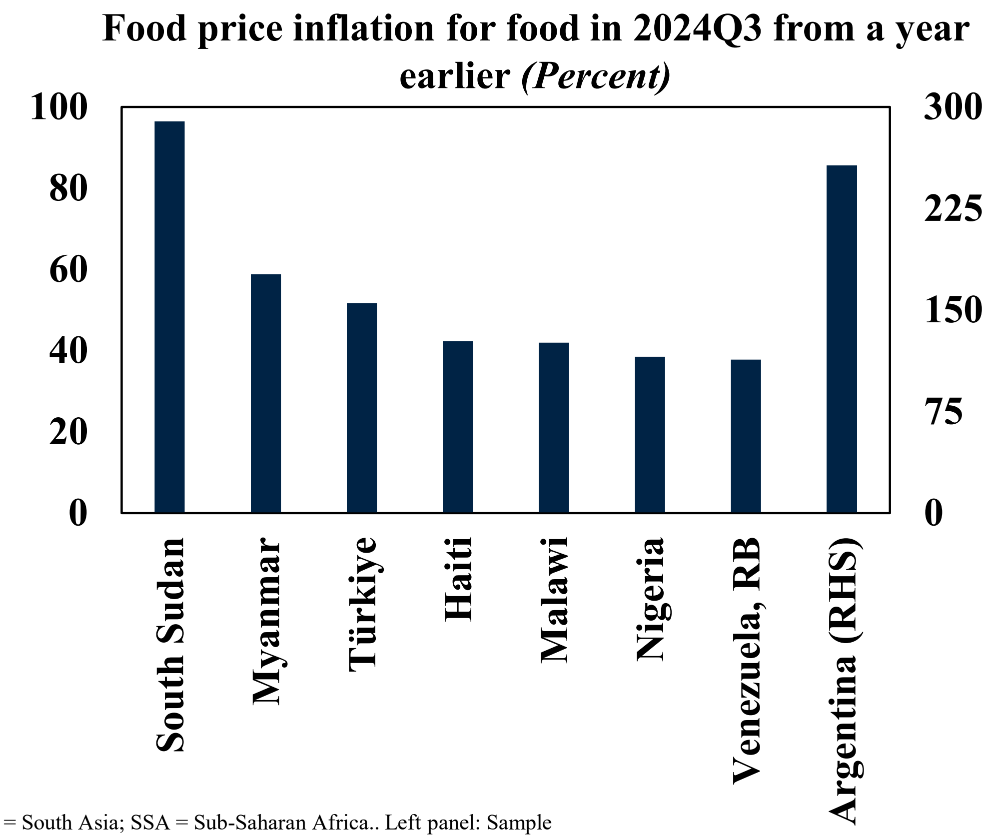
Food price inflation affecting almost all countries

Cumulative food inflation since 2020 has been much higher than in the preceding 3 years





Sources: Haver Analytics, World Bank.
Note: . EAP = East Asia and Pacific; ECA = Europe and Central Asia; MNA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.. Left panel: Sample includes 125 EMDES including 13 EAP, 22 ECA, 24 LAC, 17 MNA, 8 SAR, and 41 SSA. 2024Q3 includes only July and August. Last observation is August 2024.; Data available up to Aug 2024. Right panel: Average food price inflation for the third quarter of 2024 (July-August) including 8 countries with the highest rates.

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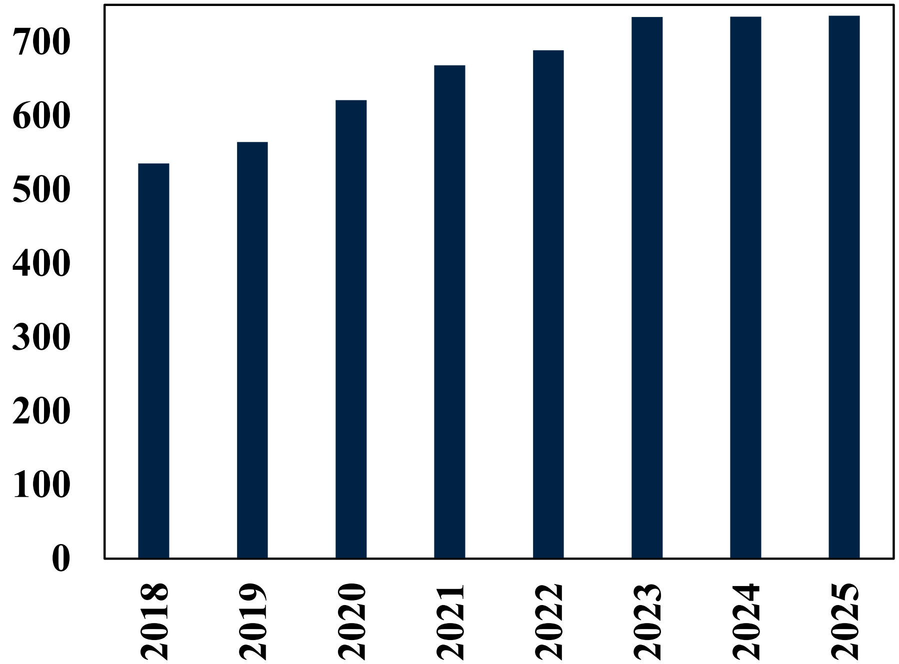
DM0

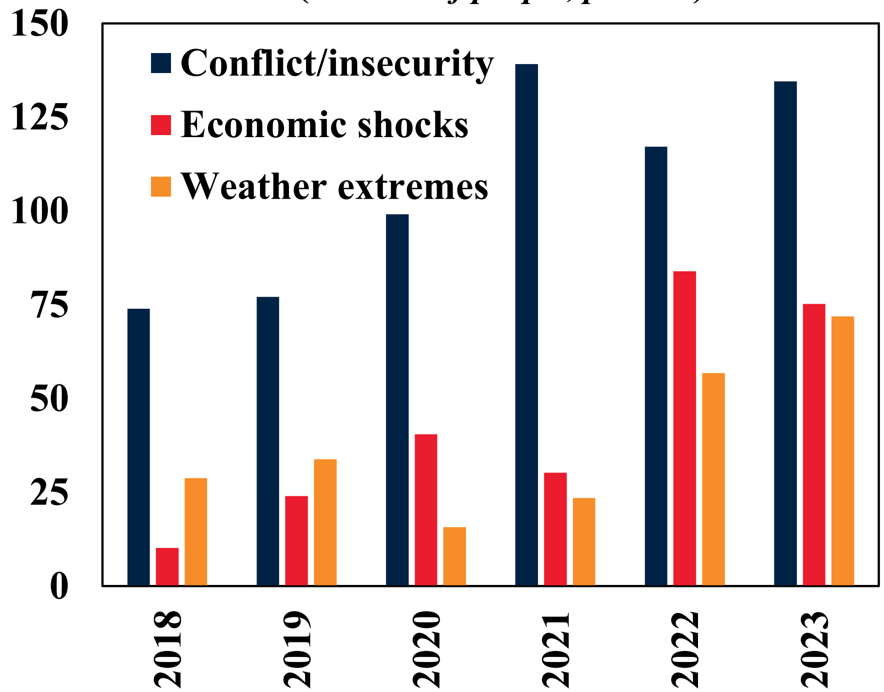
World off-track to meet the SDG goal of zero hunger by 2030

Adverse weather, fragility, and conflicts despite a decline in food inflation

Number of undernourished people, 2018-2025
(*number of people, millions*)



Number of people with acute food insecurity
(*millions of people, percent*)



Sources: Food and Agriculture Organization of the United Nations; FSIN and GNFAC(2024); World Bank;
Left panel: Estimated number of people in the population consuming insufficient calories to meet the energy requirements for an active and healthy life. It is used to monitor hunger and is based on country data on food availability, food consumption, and energy needs. 2023-25 data are forecast. Right panel:Data are as reported in Figure 1.9 of Global Report on Food Crises 2024 by the Global Network Against Food Crises.

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Slide 38

DM0 [@Lule Bahtiri] Please replace these slides by Fig 11A and 11B

Dawit Kelemework Mekonnen, 2024-10-30T14:51:35.765