A World Bank Group Report

APRIL 2026

Commodity Markets Outlook

Apr

Oct

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The cutoff date for the data used in this report was April 20, 2026.

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Acknowledgments

This World Bank Group Report is a product of the Prospects Group in the Development Economics Vice Presidency. Carlos Arteta and Phil Kenworthy managed the report under the general guidance of Ayhan Kose.

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Mirco Balatti, Betty Dow, Graham Hacche, Graeme Littler, James Morsink, and Shane Streifel provided feedback on the report.

Communications and media outreach were managed by Joe Rebello and Leslie Yun, with support from Sandya Deviah, Kristen Milhollin, and Mariana Lozzi Teixeira. Staff of the Translation and Interpretation Services unit provided translations of dissemination materials.

The World Bank's *Commodity Markets Outlook* is published twice a year, in April and October. The report provides detailed market analysis for major commodity groups, including energy, agriculture, fertilizers, metals, and precious metals. Price forecasts for 46 commodities are presented. Commodity price data updates are published separately at the beginning of each month. The data cutoff date for this report is April 20, 2026.

The report and data can be accessed at https://www.worldbank.org/commodities.

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Executive Summary

The outbreak of war in the Middle East represents a historic shock to commodity markets, resulting in March in the largest oil supply loss on record. Assuming the most acute phase of commodity trade disruptions ends in May, with shipping volumes transiting through the Strait of Hormuz gradually returning to near prewar levels by October, average commodity prices are projected to rise by 16 percent this year—the first annual increase since 2022. This would leave prices about 25 percent higher than expected in January 2026. This baseline projection hinges on developments in energy markets. With both oil and natural gas prices having soared due to supply shortfalls, average energy prices are forecast to increase by 24 percent in 2026. The Brent oil price is expected to average $86 per barrel this year, an upward revision of $26 since January. However, the supply shocks brought about by the war and its consequences are widespread, affecting many commodities and industrial inputs. Prices for crop fertilizers are expected to soar this year due to export disruptions and surging production costs, with input costs also exerting upward pressure on prices of food commodities and metals. Average base metals prices are projected to reach an all-time high, as are prices of precious metals, amid extraordinary volatility. Under the baseline assumptions, the rise in energy prices this year is set to slow growth in emerging market and developing economies (EMDEs) and drive their average inflation rate to a four-year high. Risks to the commodity price projections are tilted firmly toward higher prices. If disruptions in the Middle East prove more protracted or severe than assumed, the Brent oil price in 2026 could average $95 to $115 per barrel, with other commodity prices also far exceeding forecasts. In addition, base metals prices could increase more than anticipated amid inflexible supplies and resilient demand.

The state of commodity markets

The eruption of war in the Middle East, leading to attacks on energy infrastructure and the near cessation of shipping through the Strait of Hormuz, has caused unprecedented disruptions to global commodity supplies (figure 1.A). The Strait of Hormuz is a major passageway for trade in energy and other commodities. Prior to the conflict, vessels passing the Strait accounted for close to 35 and 20 percent, respectively, of global seaborne trade in crude oil and refined petroleum products, as well as 20 percent of trade in liquefied natural gas (LNG; figure 1.B). In addition, the Gulf region is a critical source of fertilizers—especially urea—as well as chemical inputs for many industries, such as helium and sulfur, and a large contributor to global aluminum supplies.

Before the start of the war, the obstruction of the Strait had long been viewed as a severe risk to commodity supply availability (World Bank 2023). The reduction in global oil supply in March 2026—estimated at about 10 million barrels per day (mb/d)—amounted to the largest oil supply shock on record (figure 1.C). Rapidly shifting developments in April—including the announcement of a fragile ceasefire, negotiations, and the blockading of ports—have so far not alleviated the oil supply shortfall.

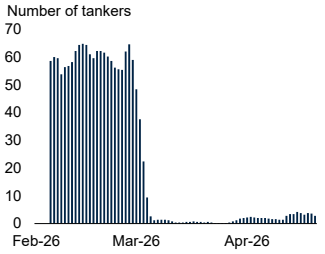
Since the war began, prices of directly affected commodities have surged. The price of Brent oil climbed from $72 per barrel ($/bbl) at the end of February, already incorporating a substantial geopolitical risk premium, closing March at $118/bbl, the largest monthly increase on record (figure 1.D). Brent prices moderated in the first half of April following the announcement of a ceasefire and a subsequent decline in hostilities but remained more than 50 percent above their levels at the start of 2026, in the $90s per barrel. Energy benchmarks in the Middle East and Asia have experienced even more pronounced increases, reflecting that refiners and end-users are seeking scarce supplies of specific grades and products (figure 1.E).

The last two months have seen intense competition among buyers globally to secure LNG following a sharp drop in exports from the Middle East, driving natural gas prices higher in Asia and Europe. The Asian LNG benchmark soared 94 percent over the course of March, while European natural gas prices gained 59 percent (figure 1.F). At nearly $18 per million British thermal units

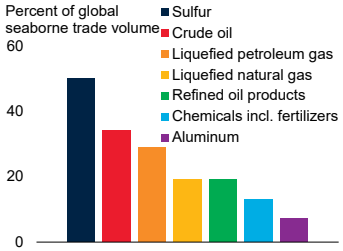
FIGURE 1 The state of commodity markets

The interruption of most commodity exports from the Gulf region represents a historic shock to energy and fertilizer markets. In March, the loss of oil supply caused by the effective closure of the Strait of Hormuz was the largest disruption in history. While the price of Brent oil soared at the outset of the war, marking its largest monthly increase on record, energy benchmarks in the Middle East and Asia saw even steeper surges, particularly for refined products. The rise in Asian LNG prices in March outstripped all but one other month in the past decade.

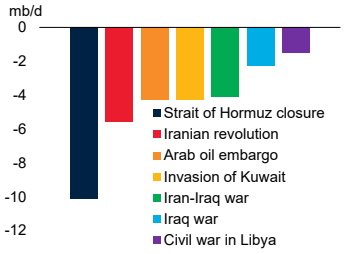
A. Tankers passing through the Strait of Hormuz



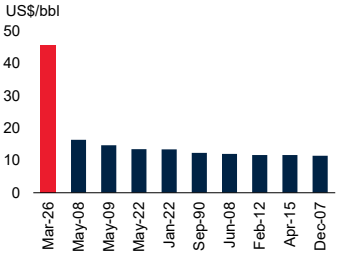
B. Seaborne trade volume passing through the Strait of Hormuz



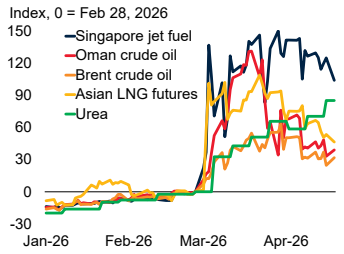
C. Initial oil supply losses in historical episodes



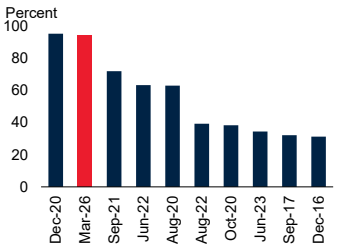
D. Largest monthly oil price increases



E. Commodity price changes since the onset of the war



F. Largest monthly increases in Asian LNG futures prices, past decade



Sources: Bloomberg; Fastmarkets; International Energy Agency (IEA); UN Trade and Development (UNCTAD); World Bank.

Note: bbl = barrel; mb/d = million barrels per day.

A. Five-day moving average of vessel transits of the Strait of Hormuz. Last observation is April 20, 2026.

B. Share of global seaborne trade volume passing through the Strait of Hormuz, except for aluminum which refers to global production share.

C. Oil supply disruptions during geopolitical events as defined by International Energy Agency (IEA 2014). The corresponding time periods for each include: Strait of Hormuz closure (March 2026), Iranian Revolution (November 1978–April 1979), Arab oil embargo (October 1973–March 1974), Invasion of Kuwait (August 1990–January 1991), Iran-Iraq War (October 1980–January 1981), the early period of the Iraq war (March–December 2003), and the civil war in Libya (February–October 2011).

D. Bars show dollar difference in end-of-month daily price of brent compared to the previous one. Top 10 positive changes since 1988 are plotted.

E. Daily data, last observation is April 20, 2026.

F. Bars show percentage change in end-of-month daily price of Asian LNG compared to the previous one. Top 10 positive changes since 2014 are plotted.

(mmbtu), the average European natural gas price in March reached levels not seen since early 2023, a year after Russia's invasion of Ukraine. In the first half of April, natural gas prices softened somewhat across regions amid hopes that negotiations would mitigate curbs on LNG shipments, but remained elevated.

Historically, conflict-related supply shocks generate large initial oil price increases relative to declines in production (refer to special focus; figure 2.A). The uncertainty about oil supply prospects that often accompanies geopolitical shocks in turn drives up premiums for near-term oil deliveries and fuels medium-term demand for inventories. As of mid-April 2026, prices for near-term oil futures far exceeded those for deliveries in late 2026, implying market expectations that Middle East energy exports are likely to increase in the coming months. Nonetheless, the ultimate severity of the current shock will be determined by two main factors: the degree of lasting damage to commodity production capacity in the Middle East, and the timeframe and extent of the return of shipping volumes through the Strait of Hormuz. Reductions in shipping represent a binding constraint on regional exports. Prior to the current conflict, spare pipeline capacity available to redirect oil shipped through the Strait amounted to about 5.5 mb/d, roughly 3 mb/d of which was estimated to have been used in March. There are no alternative routes for natural gas transported as LNG.

Despite the war roiling many markets, the World Bank Group's agricultural commodity price index was broadly stable in the first few months of 2026. Even so, the consequences of escalating conflict pushed the food commodities sub-index to a 22-month high in March, as rising energy costs boosted demand for biofuel products such as palm oil and soybean oil. Within the agricultural index, higher food prices were offset in 2026Q1 by a sharp decline in beverage prices, as past supply crunches for cocoa and coffee continued to unwind.

Following relative stability prior to the war, the World Bank Group's fertilizers index surged to a

post-2022 high in March, marking its second-largest monthly price increase of the last decade (figure 2.B). This steep move was mainly due to a more than 50 percent (m/m) jump in the price of urea, which is at the epicenter of the halt in seaborne exports from the Middle East.[1] Moreover, in contrast to oil and natural gas prices, urea prices in mid-April were little changed from their end-March levels. Prices of other fertilizer varieties have also increased somewhat since February, in part reflecting sharply rising input costs due to reduced natural gas supplies.

Prior to the war, high and volatile metal prices had been in focus. Over the past year, markets for base metals (excluding iron ore) have been structurally tight, reflecting strong industrial demand and inelastic short-term production amid a raft of idiosyncratic supply challenges such as weather-related mine closures. The war has since exacerbated supply challenges for base metals, either by impeding production and shipments directly, such as for aluminum, or by curtailing the supply of essential production inputs such as sulfuric acid. Many metals prices softened slightly in March, likely reflecting weaker prospects for global industrial activity, but aluminum prices gained more than 10 percent (m/m), the second largest monthly increase in the last decade (figure 2.C). In all, the World Bank Group's base metals index gained 29 percent over the year from 2025Q1 to 2026Q1.

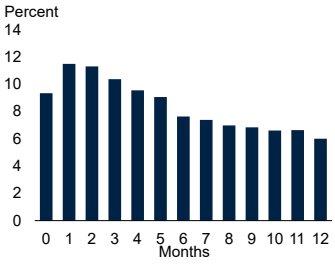
Gold, platinum, and silver extended blistering rallies in early 2026, which subsided as the conflict escalated. This atypical pattern—precious metal returns often increase as geopolitical stress emerges—likely reflects a partial reversal of the speculative fervor that gripped precious metals markets in recent months, extending a spell of extraordinary volatility (figure 2.D). Even so, the precious metals index advanced 84 percent from 2025Q1 to 2026Q1.

[1] Throughout this document "(y/y)" refers to the change in quantity or average price in one year, compared to the previous year, or compared to the same specified period in the previous year; "(q/q)" and "(m/m)" refer to the change in quantity or average price in one quarter or month, compared to the previous quarter or month.

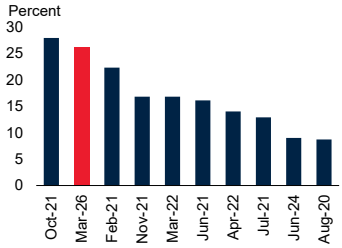
FIGURE 2 Developments in commodity markets

Oil supply losses due to geopolitical events generate sharp price spikes, far exceeding those associated with other types of supply shocks. In the current episode, the concomitant supply shock to fertilizers in March pushed the fertilizer index to its second-highest monthly increase in the past decade. Aluminum, too, recorded a large monthly increase, reflecting both reduced Middle East exports and rising input costs. Against a turbulent global backdrop, speculative fervor in precious metals markets has driven record price volatility.

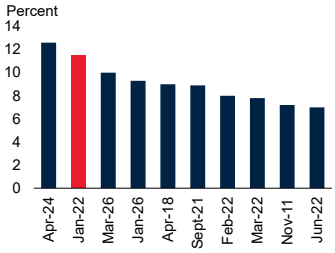
A. Response of oil prices to a geopolitics-driven 1 percent decline in oil production



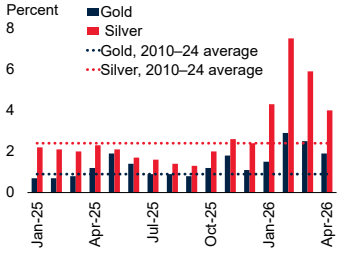
B. Largest monthly increases in fertilizer prices, past decade



C. Largest monthly increases in aluminum prices, past decade



D. Silver and gold price volatility



Sources: Bloomberg; World Bank.

A. Impulse response of real oil prices to a geopolitical oil supply shock that reduces global oil production by 1 percent on impact, computed from 5,000 bootstrap replications. For further details see Special Focus.

B. Bars show the largest changes in monthly average fertilizer prices (the World Bank Group's fertilizer price index) over the last decade.

C. Bars show the largest changes in monthly average aluminum prices over the last decade.

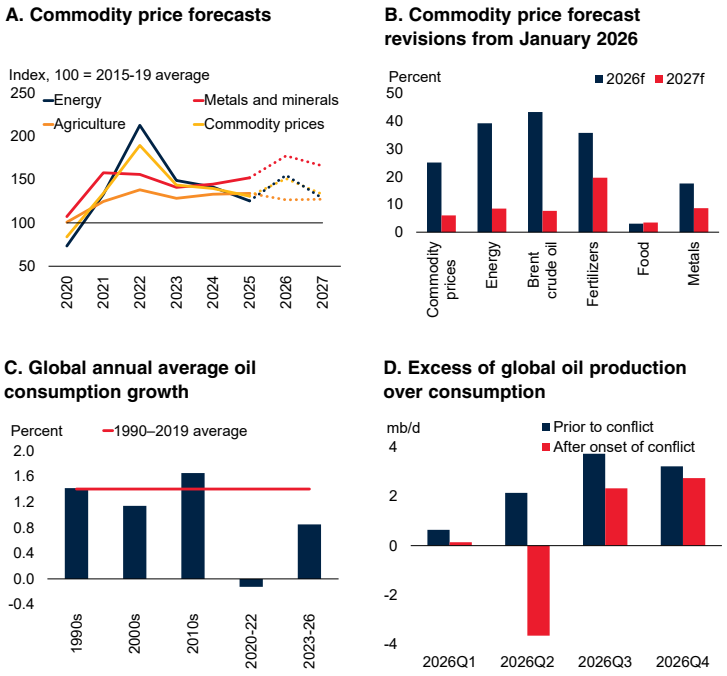
D. Monthly averages of 30-day volatility of returns in gold and silver prices. Last observation is April 20, 2026.

Outlook

The baseline commodity projections are premised on the most acute phase of supply disruptions related to war in the Middle East ending in May. Thereafter, shipping volumes through the Strait of Hormuz are assumed to haltingly recover, stabilizing around pre-war levels by the final quarter of the year. The envisaged shocks to energy, fertilizers, and other commodities therefore mainly reflect dislocations—global production capacity is sufficient but access is temporarily impeded—rather than more fundamental

FIGURE 3 Outlook for commodity price indexes and energy

Following acute disruptions to commodity trade in the Gulf region, average commodity prices are projected to rise by 16 percent (y/y) in 2026. The baseline outlook entails a substantial commodity price shock relative to January 2026 projections. Policy and behavioral adjustments to reduce oil use are underway and together will further weigh on already sluggish global oil consumption growth this decade. Nonetheless, in 2026Q2, the oil market is on track to register a record excess of consumption over production.



Sources: International Energy Agency (IEA); World Bank.

A. Commodity prices line refers to the World Bank commodity price index, excluding precious metals. Dashed lines indicate forecasts.

B. Commodity price forecast revisions compared to the January 2026 edition of the *Global Economic Prospects* report.

C. Compound annual average growth rates for oil consumption based on IEA's *Oil Market Report*, April 2026 edition. 2023–26 encompasses a forecast for 2026.

D. Blue bars show oil balance data based on IEA's *Oil Market Report*, March 2026 edition ("prior to conflict"), compared to the red bars showing oil balance data based on IEA's *Oil Market Report*, April 2026 edition ("after onset of conflict").

mismatches between consumption and supply capacity. Under these assumptions, which are subject to heightened uncertainty, the World Bank Group's commodity price index is projected to increase by 16 percent (y/y) in 2026, marking the first rise in annual commodity prices since 2022 (figure 3.A). The baseline forecast represents an upward revision of 25 percent from the January 2026 projection (figure 3.B). In 2027, average commodity prices are expected to decline by 12 percent.

Energy

Driven by the shortfall in energy exports from the Middle East, the World Bank Group's energy price index is forecast to increase 24 percent (y/y) in 2026. Relative to expectations in January 2026, the baseline projection represents a shock of almost 40 percent in energy prices to the global economy this year. Next year, energy commodity prices are expected to substantially reverse, with the index slated to decline by 17 percent.

The central driver of the energy forecast is oil prices. After averaging just $69/bbl in the first two months of 2026, then rising to about $100/bbl in March and April, the price of Brent oil is expected to remain elevated in the near term, curbing oil consumption, while export volumes from the Middle East remain greatly reduced. Demand destruction for oil products has started amid multi-year high cash premiums for crude oil and distillates, especially in Asia, and slowdowns in the use of ethane, naphtha and liquid petroleum gas (LPG). Nonetheless, the baseline also assumes that the drawdown of inventories, including oil "on water" (loaded and in transit), substantially buffers oil consumption through the middle of this year. Assuming that oil prices recede in the second half of 2026 due to a recovery of oil exports from the Gulf, and that any residual damage to the region's oil infrastructure is relatively minor, Brent oil prices for the remainder of the year are expected to average close to $86/bbl. On this basis, Brent oil prices are also projected to average $86/bbl in 2026 as a whole, a steep rise from $69/bbl in 2025, before reverting to $70/bbl in 2027. The $26/bbl upward revision since January matches the revision made in April 2022, following Russia's invasion of Ukraine.

Global oil consumption is expected to decline marginally this year, reflecting higher prices and proactive policy efforts to limit consumption amid shortages in some countries. The latest shock deepens a trend of structurally weak oil consumption in recent years, which was already evident at much lower prices (figure 3.C). Global oil production is anticipated to decrease by 1.5 percent in 2026—the third-largest annual decline

in four decades, with the drop heavily concentrated in 2026Q2 due to forced shut-ins among Middle East producers. If the baseline assumptions hold, a rebound in OPEC oil production will follow, with some non-OPEC+ producers also expected to contribute additional supply. On a global basis, this could result in surplus oil production in late 2026 (figure 3.D).

European natural gas prices are projected to rise sharply by 25 percent (y/y) in 2026, before dropping back by 20 percent in 2027 as supply disruptions subside. The surge in European gas prices this year is due to the conflict-related drop in LNG supply, with the region competing for available cargoes with buyers that typically source supplies from the Middle East. LNG prices, and by extension benchmarks in Asia and Europe heavily influenced by LNG, are likely to remain high for as long as shipments through the Strait of Hormuz are substantially curtailed.

U.S. natural gas prices are largely insulated from events in the Middle East, as supplies are mostly traded and consumed via North America's pipelines, despite growing LNG exports. Following a sharp increase in 2025, U.S. natural gas prices are forecast to rise more modestly in 2026 and 2027, by 8 and 5 percent (y/y), respectively. Global natural gas consumption is anticipated to stagnate this year, with many economies in Europe and Asia curbing consumption in the face of high prices, and disruptions to gas-intensive industries in the Middle East. Global natural gas production is expected to grow only modestly in 2026, limited by project delays and output losses in Qatar, despite anticipated net additions to production in most regions.

Coal prices are predicted to increase by 20 percent (y/y) in 2026 before softening by 12 percent in 2027. Tight gas supplies are envisaged to be partially offset by substitution toward coal for power generation, likely supporting an increase in thermal coal demand in 2026, concentrated in Asia. While still meeting rising demand, global coal production is expected to continue to decrease this year amid contracting coal trade and expanding renewable energy generation globally.

Agricultural and fertilizers

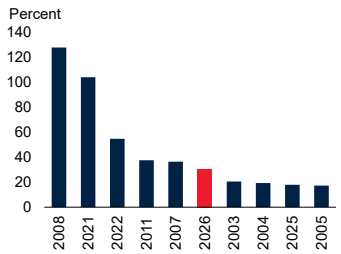
The World Bank Group's food price index is projected to rise about 2 percent (y/y) in 2026 and to inch higher in 2027, an upward revision relative to previous projections. The anticipated increase in food prices this year is modest, owing to ample global grain supplies at the outset of the shock, stemming from widely distributed producers. Under the baseline assumptions, conflict-related price pressures on foods are expected to be most pronounced among oils and meals, some of which are common feedstocks for biofuels that can substitute for oil. For instance, palm oil and soybean oil prices are both projected to rise by 8 percent in 2026. Food price effects are likely to be muted in the current episode relative to 2022 because at that time disruptions were centered on major food producing regions, whereas the Gulf region plays a more limited direct role in food trade.

In contrast, economies embroiled in the war are major suppliers of fertilizers, and the World Bank Group's fertilizer index is projected to increase by 31 percent (y/y) in 2026, before easing somewhat in 2027. The predicted rise in prices this year principally reflects feedstock supply dislocations leading to a 60 percent price surge for urea, which is heavily dependent on natural gas. More moderate price increases are anticipated for some other types of fertilizers, due to lower natural gas requirements, notably potash. Although the forecast rise in average fertilizer prices in 2026 is considerable, it is far smaller than those of 2008, 2021, and 2022—years of much larger food prices increases than in the baseline (figure 4.A). This reflects, among other factors, assumptions about the duration of curbs on Middle East fertilizer and chemicals exports, and that natural gas prices are not envisaged to approach the heights of 2022. Nonetheless, with the anticipated increase in fertilizer prices far outstripping that for food commodity prices, fertilizer affordability is expected to deteriorate this year to the worst levels since 2022, pressuring farming profit margins (figure 4.B). As further discussed in subsequent sections, if war-related disruptions are more lasting than assumed, even higher fertilizer prices could

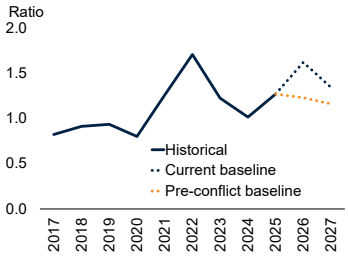
FIGURE 4 Outlook for fertilizers and metals

Fertilizer prices are projected to climb sharply this year, leading to deteriorating fertilizer affordability. Average base metals prices are expected to reach an all-time high this year, partly reflecting recent demand trends in strategic and emerging industries. That said, the speed and scale of the climb in metals prices are expected to remain more modest than during past spells of sustained increases.

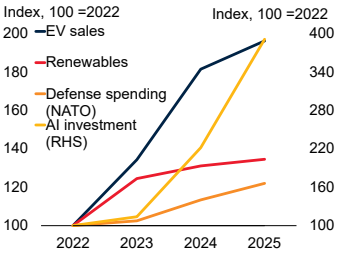
A. Years of large fertilizer price increases since 2000



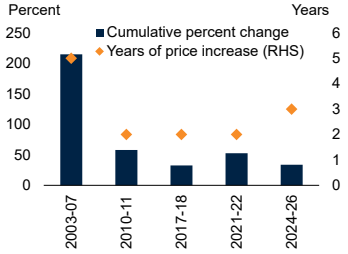
B. Fertilizer affordability index



C. Drivers of end-use metals demand



D. Consecutive years of rising metals prices since 2000



Sources: Bloomberg; International Energy Agency (IEA); NATO; World Bank.

Note: AI = artificial intelligence; EV = electric vehicles; NATO = North Atlantic Treaty Organization; RHS = right-side scale.

A. Bars show the largest annual average changes in the World Bank Group's fertilizer price index. 2026 is a forecast.

B. Fertilizer affordability index defined as fertilizer index divided by food price index. "Pre-conflict baseline" dashed line refers to the commodity price forecasts for the January 2026 edition of the *Global Economic Prospects* report.

C. EV sales data from IEA's Global EV Outlook report and renewables from IEA's *World Energy Investment* 2025. Data on defense spending is for NATO countries only. AI investment refers to AI-related investment using Bloomberg Intelligence's hyperscaler capital expenditure in datacenters as a proxy.

D. Bars show cumulative percent change in annual average base metal prices over consecutive years of rising prices. Orange diamonds show the number of consecutive years with the price increase. 2026 includes the price forecast.

result in diminished crop yields in some regions, threatening food security.

The World Bank Group's agriculture price index—a weighted average of beverages, food commodities, and raw materials prices—is forecast to fall 6 percent in 2026 (y/y). The decrease is driven by a sharp projected decline in beverage prices, which more than offsets firming food prices and broadly stable raw materials prices. The agriculture index is expected to broadly hold steady next year.

Metals and minerals

The World Bank Group's metals and minerals price index is projected to gain 17 percent (y/y) in 2026, supported by steadily growing demand amid increased production costs and persistent supply tightness for several base metals. This is compounded in the case of aluminum by conflict-related export decreases from the Middle East. In 2027, average metals and minerals prices are forecast to wane by 7 percent as input costs decline and the supply squeeze for aluminum moderates. Base metals consumption remains structurally solid, underpinned by traditional uses as well as strong momentum in emerging industries including renewable energy, broader electrification technologies, and data centers (figure 4.C). Prices for aluminum, copper, and tin—essential materials for many products in these sectors—are projected to reach all-time highs in 2026, marking a third consecutive year of rising prices. Even so, in recent years metals prices have risen at a steadier pace than during the boom years of the 2000s, or subsequent spells of sustained increases (figure 4.D). Iron ore prices, in contrast to wider base metals prices, are anticipated to decline to a seven-year low as weakness in China's property sector persists alongside subdued construction activity in advanced economies and ample supply.

Following a record surge in 2025, average precious metal prices are forecast to gain by 42 percent (y/y) in 2026, reaching an all-time annual high. In 2027, the precious metals index is projected to moderate, while remaining markedly elevated by historical standards. The levels of gold and silver prices this year are projected to be close to four times their 2015–19 averages, with platinum prices expected to be about twice that benchmark. The prevailing environment of geopolitical uncertainty is likely to provide ongoing support for precious metals investment demand. Meanwhile, expanding industrial use of silver and platinum is set to accentuate market tightness. The

precious metals price projections are subject to particular uncertainty, however, in view of recent large swings in speculative positioning that have amplified price movements.

Risks

Risks to the commodity price projections are markedly tilted toward higher prices. Most prominently, the severity and duration of commodity supply disruptions in the Middle East could be greater than assumed. In addition, policy distortions and other shocks such as extreme weather, labor unrest, and conflict events could further tighten base metals supplies. There are also notable risks that could see commodity prices undershoot the projections. Global oil supplies were ample prior to the recent onset of conflict. If shipping from the Middle East fully resumes, a sizable oil surplus in 2027 could pull prices below expectations. Finally, global economic growth could be weaker than assumed, curbing commodity demand.

Risks of higher commodity prices

More extensive conflict-related disruptions

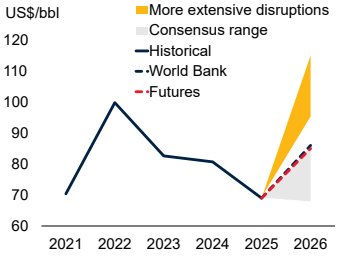
Near-term disruptions to the production and trade of commodities in the Middle East could be considerably more severe or more prolonged than assumed in the baseline price forecasts. There could be no meaningful, lasting reopening of the Strait of Hormuz until after 2026Q2, whether due to renewed conflict, logistical challenges, or both. Shipping-related challenges could thereafter slow the resumption of export volumes from the Gulf region through late 2026 or early 2027. A reescalation of hostilities could cause key oil and gas facilities to suffer additional damage, such that global oil supply capacity is reduced by up to 4 percent in the medium-term relative to pre-war expectations. Under these more adverse circumstances, the average Brent oil price in 2026 could range between $95/bbl and $115/bbl (figure 5.A). The lower end of this range could encompass considerable delays in the recovery of shipping volumes, without additional material damage to oil infrastructure. The upper end would transpire with both additional damage to oil infrastructure and delays in resolving impediments to trade.

In assessing risks to oil supplies and prices in the coming months, the extent to which alternate

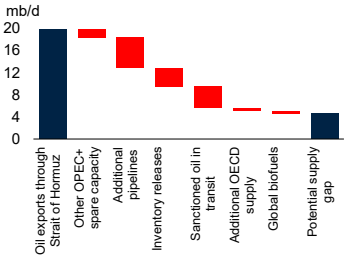
FIGURE 5 Risks to commodity prices

If disruptions to energy trade and production are more protracted and severe than assumed, the Brent oil price could average $95 to $115 per barrel in 2026. On the other hand, the materialization of alternative sources of oil could substantially alleviate disruptions to the global oil supply shortfall through the Strait of Hormuz in the near term. Prior to the current shocks, inflation-adjusted oil prices had fluctuated well below the highs of the early 2010s, reinforced by the waning oil intensity of GDP and diversification in sources of supply. Weaker-than-expected economic growth globally, unrelated to energy supply shocks, could result in commodity prices undershooting the baseline projections, especially metals prices if growth in China falters.

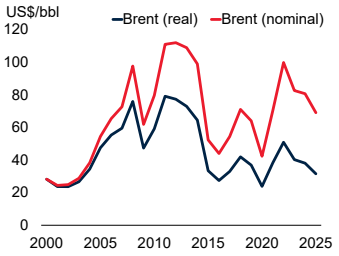
A. Oil price forecast and extensive disruptions risk range



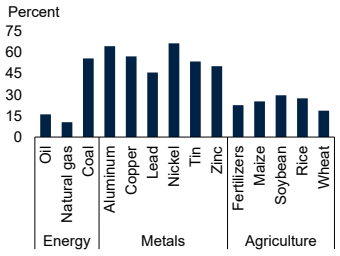
B. Potential alternative sources for oil supplied via the Strait of Hormuz



C. Price of Brent oil, nominal and real



D. China's share of global commodity consumption



Sources: Bloomberg; Consensus Economics; Ha, Kose, Ohnsorge (2023); International Energy Agency (IEA); The Energy Institute (database); U.S. Department of Agriculture (database); Refinitiv (database); World Bank.

Note: bbl = barrel; RHS = right-hand scale.

A. Dashed lines indicate forecasts for 2026. Futures data as of April 20, 2026. Consensus data are from the March 2026 release. Futures and consensus forecasts are World Bank computations from futures and consensus data. Yellow area indicates the range for the World Bank's forecast in case of more extensive conflict-related disruptions. Grey area indicates the 10th-90th percentile range of private-sector oil price forecasts, included in the March 2026 Consensus Forecasts release.

B. Data from IEA's *Oil Market Report*, March and April 2026 editions. To translate oil stocks into possible flows, sanctioned oil on water and IEA member countries' reserves are assumed to be released to the market over a period of four months. Figure depicts plausible alternative to oil via the Strait of Hormuz and is not a forecast.

C. Brent oil prices deflated by GDP-weighted average CPI for each year based on data from Ha, Kose, Ohnsorge (2023).

D. Data for energy is 2024, for metals is 2025, for fertilizers is 2023, and for other agriculture products is 2024.

potential sources of oil can substitute for volumes shipped through the Strait of Hormuz will be critical. Between releases from strategic oil reserves, oil on water, alternate export routes from the Gulf, and other sources of oil such as biofuels, even a total shutdown of exports through the Strait could be substantially offset for several months (figure 5.B). If some oil is passing through the Strait, the potential supply gap could be reduced further. On the other hand, a long cessation of shipping would significantly erode available oil stocks. At the same time, new constraints on exports through alternate pipelines in the Middle East represent serious possible risk events, as they form the largest portion of substitution capacity.

More extended or severe disruptions to oil markets than currently expected would have extensive implications for broader commodity markets. LNG production and trade would be adversely affected, driving prices persistently higher, with knock-on consequences for regional benchmarks in Asia and Europe. Prices for fertilizers, especially urea, would substantially exceed the baseline projections, due to both higher input costs for natural gas and feedstocks and from sustained reductions in Middle East fertilizer and gas exports. In turn, elevated fuel and fertilizer costs would generate greater cost-push pressures for food producers. Surging oil and gas prices would also translate into stronger demand for substitute energy sources, with prices for coal and biofuel crops rising accordingly. With the scale and duration of disruptions mounting, supply chain challenges could intensify in unexpected ways. For instance, a prolonged decline in sulfur supplies could challenge the mining of metals globally, as sulfuric acid is used heavily to leach oxide ores. In sum, lasting declines in commodity exports from the Gulf region would represent a grave and widespread supply shock to the world economy.

Tighter base metals markets

Prices in base metals markets have reacted strongly to episodic supply concerns in recent years. This dynamic has emerged amid resilient metals demand, driven in part by strong momentum in several strategic and emerging sectors. Base metals production capacity is inflexible in the short-term and often geographically concentrated. Against this backdrop, policy-related market distortions and localized supply shocks could substantially tighten markets for base metals such as aluminum, copper, and tin. Such challenges could take the form of new or more tightly enforced export restrictions, tariffs that fragment markets, or labor-, weather-, or conflict-related disruptions at critical mines. A combination of such events could lift prices significantly above the baseline forecasts.

Risks of lower commodity prices

Ample oil supply if disruptions are swiftly resolved

In late 2025, before geopolitical tensions climbed, Brent oil slipped below $60 per barrel, and the oil market was on track for excess production of nearly 4 mb/d in 2026—greater than the surplus in 2020, during the COVID-19 pandemic. Oil market conditions prior to the war reflected, in part, structurally sluggish oil demand, pulled lower by uptake of electric vehicles, broader efficiency improvements, and subdued growth in some large energy-consuming economies. On the supply side, global oil production has diversified since the 2010s, with economies outside the OPEC+ quota system accounting for more than half of total crude output in 2025. In recent years, these forces have been potent in containing oil prices. From a consumer perspective, the inflation-adjusted price of Brent oil last year was close to its 2015 level—the low point of the 2010s (figure 5.C). If disruptions to shipping in the Middle East can be swiftly resolved, the current period of elevated oil prices could be brief. With Gulf region oil production flowing again, and further growth in supply from elsewhere, the market dynamics of late 2025 could reassert themselves and lead oil prices to significantly undershoot the forecast in 2027.

Weaker-than-expected global economic growth

The baseline forecasts assume a notable slowdown in global economic growth this year and recovery afterwards. Weaker-than-expected growth (if unrelated to energy supply shocks) could result in lower-than-projected commodity prices. There

could be multiple triggers for this outcome. For instance, an unforeseen tightening of global financial conditions could curb credit growth and business investment. In addition, resurgent trade tensions and policy uncertainty could undermine sentiment broadly, weakening demand. The implications for commodity prices would be especially pronounced if negative growth surprises were centered in investment-intensive economies or sectors. This could materialize with a faltering of anticipated returns from investments underpinning artificial intelligence, or if last year's softness in fixed investment in China persists, given the country's predominant role in global commodity demand (figure 5.D).

Broader implications

The outlook for commodity markets—both the baseline projections and risks—has a range of possible macroeconomic consequences for emerging market and developing economies (EMDEs) and the global economy more broadly. These include implications for growth, inflation, and jobs in EMDEs, global food insecurity, and policies concerning the security of commodity supplies.

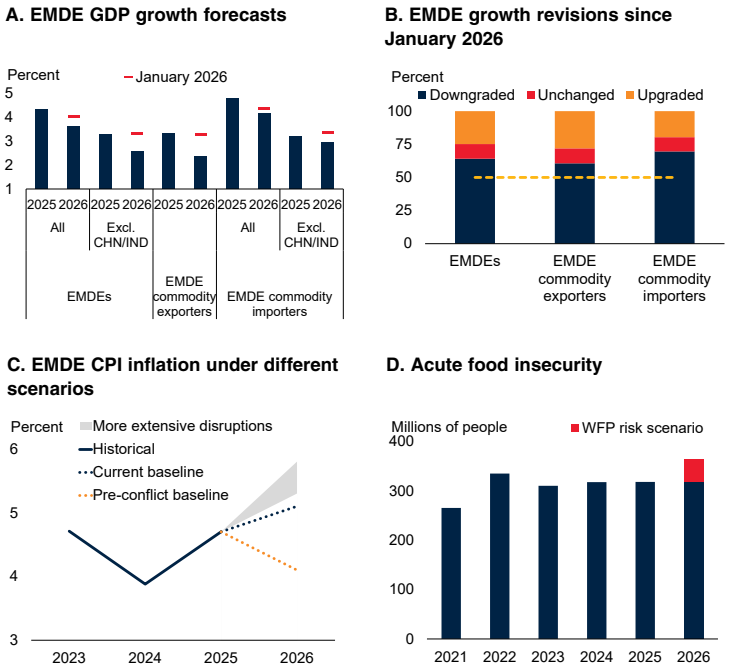
Growth and inflation prospects in EMDEs

Prior to the onset of war in the Middle East, EMDEs were expected to grow by 4 percent in 2026, somewhat slower than last year's pace of 4.3 percent. The consequences of the conflict have since dampened materially growth prospects, due to both the direct impediments to production and trade in the Middle East and the implications of much higher energy and broader commodity prices globally. Overall, EMDEs are now projected to grow 3.6 percent in 2026 under the baseline assumptions—a downgrade since January of 0.4 percentage point (figure 6.A). Despite increased export prices, EMDE commodity exporters are expected to grow just 2.4 percent in 2026, a downward revision of 0.9 percentage point, concentrated in economies in the Middle East directly impacted by hostilities. Exports in these countries are undergoing sharp forced reductions, and there has also been substantial damage to capital stocks and significant declines in tourism activity. More broadly, the recent shocks have seen growth prospects downgraded in more than 60 percent of commodity exporters (figure 6.B).

The headwinds to growth in EMDE commodity importers are notable but less concentrated than for exporters. Growth in EMDE commodity importers has been revised lower by 0.2 percentage point in 2026, to 4.2 percent, with forecast

FIGURE 6 Broader implications of the commodity markets outlook

Damage to energy infrastructure and trade disruptions in the Middle East represent a global economic shock, with growth prospects broadly downgraded since January. Under the baseline assumptions, inflation in emerging market and developing economies (EMDEs) is likely to accelerate this year, rather than decelerating as previously anticipated. Inflation pressure will be even more intense if conflict-related risks trigger higher-than-expected oil prices. In such circumstances, knock-on impacts on food prices and affordability could push an additional 45 million people into acute food insecurity in 2026, according to the World Food Programme.



Sources: Oxford Economics; World Food Programme; World Bank.

A. Aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates. January 2026 refers to growth rates reported in the January 2026 *Global Economic Prospects* report. Data for 2025 are estimates and for 2026 are forecasts.

B. Figure shows the share of countries in respective groups with forecast upgrades, downgrades and no forecast changes for 2026 since the January 2026 *Global Economic Prospects* report. The dashed line shows 50 percent.

C. Model-based projections of GDP-weighted consumer price index (CPI) inflation in emerging market and developing economies under different oil price forecasts. For the conflict-related disruptions range, average Brent oil prices in 2026 span from $95/bbl to $115/bbl.

D. Data refers to the globally aggregated peak data per year comparing the 68 countries included in the November 2025 *WFP Global Outlook*, for all years. The red bar indicates the forecast from the latest estimate released by the United Nations World Food Programme on March 23, 2026.

downgrades in 70 percent of economies. Among these countries, the rise in energy prices will curb real income growth, thereby weighing on demand, and putting pressure on firms' margins by raising input costs. In addition, financing conditions are likely to be tighter for some time, in view of upward pressure on inflation and interest rates. The growth implications of the war for EMDE commodity importers are expected to be more negative when China and India are excluded, with growth this year forecast to wane to 2.9 percent, 0.5 percentage point below the January forecast.

With a weaker growth outlook in EMDEs, job creation and development are also likely to be impeded. Although overall employment can react relatively modestly to declining growth in EMDEs, this encompasses a buffering effect from informal employment, which is often lower quality employment. Meanwhile, wage employment in EMDEs deteriorates markedly around troughs in growth, and employment losses tend to fall harder on youth (Loungani, Luttini, and Pallan 2025). Adverse impacts on growth, job creation, and development in EMDEs could be considerably more severe if the acute phase of conflict-related trade disruptions lasts longer than assumed.

The counterpart of weaker growth prospects in EMDEs is higher expected inflation, owing principally to sizable energy price shocks. Depending on the scale and persistence of non-core price increases across economies, rising input costs may also be passed through into a wide range of consumer prices, exerting upward pressure on core inflation. Prior to the price shocks associated with the conflict, GDP-weighted consumer price inflation in EMDEs had been anticipated to settle at 4.1 percent in 2026, a meaningful deceleration from 4.7 percent last year. Instead, under the baseline projections, EMDE inflation is projected to rise to an average of 5.1 percent this year (figure 6.C).

Higher-than-expected energy prices would magnify increases in EMDE inflation. If more protracted, severe disruptions occur, driving average oil prices in 2026 to $95–$115/bbl as discussed in the risks, then EMDE inflation could average 5.3–5.8 percent this year, a rate exceeded only once in the last decade, during the inflation surge of 2022. The anticipated inflationary impact of such an outcome would be greater still, were it not for the expectation that global financial conditions would also tighten in response to such pronounced price pressures, in part reflecting the likelihood of central banks pursuing more restrictive monetary policy stances.

Food insecurity

The war in the Middle East threatens to worsen food affordability globally. In the region embroiled in conflict, the closure of the Strait of Hormuz has cut off maritime routes for several economies that are highly dependent on imported food. For some economies, this is likely to result in large increases in food inflation.

More detrimental outcomes for global food security may occur if war-related disruptions persist, primarily through adverse effects on real incomes in some of the world's most vulnerable economies. Estimates suggest that an extended conflict keeping oil prices above $100/bbl could push up to 45 million more people into acute food insecurity this year (figure 6.D; WFP 2026). Such a scenario would be broadly consistent with the more extensive possible disruptions discussed in the risks section above, and would frustrate prior expectations that acute food insecurity would stabilize. In the near term, the main channels through which a larger energy shock would heighten hunger would be the knock-on impacts of fuel prices on imported foods prices, and the broader affordability squeeze as prices of other essentials climb. Over time, sharply higher fertilizer prices may also weigh on application rates, especially in lower-income regions where more farmers are liquidity constrained. Such a pattern emerged in 2021–22, when fertilizer use per hectare declined across many regions as prices surged. These effects could have a long tail, materializing as reduced crop yields in future growing seasons.

Securing energy and key commodity supplies

The war in the Middle East is the latest in a series of shocks to the global economy in recent years. Since 2020, the COVID-19 pandemic, Russia's invasion of Ukraine, and a marked rise in trade restrictions have all threatened or resulted in costly supply chain challenges, thrusting mounting attention onto economic security. At the current juncture, the lengthy obstruction of the Strait of Hormuz raises concerns about the future security of essential commodity supplies, and ultimately may herald a range of new policies.

In the near term, commodity exporters may prioritize building alternative delivery capacity, such as new pipelines and processing facilities that bypass possible chokepoints. Energy-importing countries are likely to increase use of available domestic energy sources, in some cases relying on coal reserves, which will create long-term costs owing to increased air pollution and carbon emissions. However, the relative attractiveness of hydro, solar, and wind power could also increase, particularly in conjunction with the decline in costs for energy storage already underway.

Over the longer term, plans to use more nuclear power could gain momentum, especially as small modular reactors technology develops. Beyond energy, the focus of policy makers on securing supplies of critical minerals—both common commodities such as nickel and copper, and technologically essential but small-volume rare earth elements—may intensity. This could result in more inward-oriented policies to foster domestic supplies, as well as efforts to reach and operate coordinated commodity agreements to address supply risks or stabilize prices. Historically, however, most such agreements have a limited record of success (Baffes, Nagle, and Streifel 2025).

Special focus: The effects of geopolitical oil supply shocks

The last few years have seen more frequent surges in geopolitical tensions, as exemplified by the recent outbreak of war in the Middle East. Many of these surges have led to sharp increases in oil prices which, if sustained, can create severe headwinds for the global economy. The special focus in this edition examines the behavior of oil markets during periods of rising geopolitical risk and quantifies the effects of geopolitical oil supply shocks, as distinct from other sources of oil supply variation, drawing on a novel methodology. It estimates that during times of surging geopolitical risk, a 1 percent reduction in oil production generates a peak oil price increase, on average, of more than 11 percent, nearly twice the increase reported in previous studies for oil supply shocks in general.

Outsized oil price responses to geopolitical supply shocks suggest additional layers of precautionary behavior in oil markets, which can have different forms over time. First, at the onset of a significant geopolitical oil shock, a surge in uncertainty over future supplies and global economic conditions can drive risk premia higher, reflecting both efforts to secure physical stocks and speculative market responses. Second, the experience of geopolitical disruptions prompts greater inventory building in the medium-term as a form of self-insurance. Oil supply shocks arising out of conflict have significant and persistent spillover effects on other commodity markets—particularly natural gas and fertilizers. Overall, geopolitically driven oil supply disruptions tend to be especially destabilizing for commodity markets, with likely knock-on consequences for inflation, growth, and poverty. These results highlight the importance of policy measures to mitigate exposure to such shocks.

TABLE 1 World Bank commodity price forecasts

Commodity	Unit	2024	2025	2026f	2027f	Percent change from previous year 2026f	Percent change from previous year 2027f	Differences in levels from October 2025 forecasts 2026f	Differences in levels from October 2025 forecasts 2027f
INDEXES (in nominal U.S. dollars, 2010 = 100)									
Total [1]		105.1	98.4	113.7	99.8	15.5	-12.3	23.0	5.8
Energy [2]		101.5	90.0	111.3	92.1	23.6	-17.2	31.4	7.2
Non-Energy		112.5	115.4	118.7	115.4	2.8	-2.8	6.0	2.9
Agriculture		115.0	115.7	109.3	110.0	-5.6	0.6	-3.4	-1.8
Beverages		176.4	207.3	144.8	147.8	-30.1	2.1	-48.2	-36.1
Food		115.8	109.2	111.9	113.3	2.4	1.3	3.4	4.0
Oils and Meals		106.9	104.5	109.0	109.3	4.3	0.3	5.7	5.7
Grains		112.9	101.3	103.7	106.0	2.4	2.2	2.9	3.2
Other food		130.4	122.7	123.1	125.2	0.3	1.7	0.9	2.4
Raw Materials		81.6	84.9	84.9	82.6	-0.1	-2.7	2.8	1.4
Timber		79.6	81.8	81.7	82.9	-0.1	1.5	-1.6	-1.2
Other Raw Materials		83.9	88.4	88.4	82.2	0.0	-7.0	7.6	4.1
Fertilizers		117.6	138.7	181.3	152.1	30.7	-16.1	46.4	24.3
Metals and Minerals [3]		106.7	112.2	130.8	122.3	16.6	-6.5	20.7	10.3
Base Metals [4]		114.1	122.3	145.8	135.6	19.2	-7.0	25.1	11.9
Precious Metals [5]		180.2	258.6	368.3	337.7	42.4	-8.3	100.1	85.9
PRICES (in nominal U.S. dollars)									
Energy									
Coal, Australia	$/mt	136.1	108.4	130.0	115.0	19.9	-11.5	30.0	10.0
Crude oil, Brent	$/bbl	80.7	69.0	86.0	70.0	24.6	-18.6	26.0	5.0
Natural gas, Europe	$/mmbtu	11.0	12.0	15.0	12.0	25.4	-20.0	4.2	2.2
Natural gas, U.S.	$/mmbtu	2.2	3.5	3.8	4.0	7.8	5.3	-0.1	0.1
Liquefied natural gas, Japan	$/mmbtu	12.8	12.0	16.0	13.0	32.9	-18.8	4.5	2.5
Non-Energy									
Agriculture									
Beverages									
Cocoa	$/kg	7.33	7.80	3.80	4.20	-51.3	10.5	-3.70	-2.80
Coffee, Arabica	$/kg	5.62	8.47	7.25	7.00	-14.4	-3.4	0.00	0.10
Coffee, Robusta	$/kg	4.41	4.86	4.00	3.90	-17.7	-2.5	-0.70	-0.70
Tea, average	$/kg	3.04	2.91	2.85	3.00	-2.1	5.3	-0.10	0.00
Food									
Oils and Meals									
Coconut oil	$/mt	1,519	2,480	2,301	2,111	-7.2	-8.3	47	126
Groundnut oil	$/mt	1,796	1,666	1,722	1,740	3.4	1.0	185	138
Palm oil	$/mt	963	1,007	1,089	1,096	8.1	0.6	38	34
Soybean meal	$/mt	442	366	359	363	-1.8	1.1	23	20
Soybean oil	$/mt	1,022	1,140	1,233	1,236	8.2	0.2	58	78
Soybeans	$/mt	462	414	441	446	6.4	1.1	31	30
Grains									
Barley	$/mt	…	…	172	174	…	1.2	-2	-1
Maize	$/mt	191	203	211	214	3.8	1.4	16	17
Rice, Thailand, 5%	$/mt	588	408	401	413	-1.7	3.0	0	4
Wheat, U.S., HRW	$/mt	269	243	253	260	4.0	2.8	-5	-7

TABLE 1 World Bank commodity price forecasts

Commodity	Unit	2024	2025	2026f	2027f	Percent change from previous year 2026f	Percent change from previous year 2027f	Differences in levels from October 2025 forecasts 2026f	Differences in levels from October 2025 forecasts 2027f
PRICES (in nominal U.S. dollars)									
Non-Energy									
Other Food									
Bananas, U.S.	$/kg	1.23	1.10	1.10	1.12	0.4	1.8	0.10	0.00
Beef	$/kg	5.93	6.86	7.60	7.81	10.8	2.8	0.80	0.90
Chicken	$/kg	1.46	1.71	1.69	1.72	-1.4	1.8	0.00	0.00
Oranges	$/kg	2.26	1.42	1.15	1.20	-18.9	4.3	-0.30	-0.30
Shrimp	$/kg	…	…	9.00	9.47	...	5.2	0.00	0.00
Sugar, World	$/kg	0.45	0.37	0.35	0.34	-5.8	-2.9	0.00	-0.10
Raw Materials									
Timber									
Logs, Africa	$/cum	379	395	400	405	1.2	1.3	5	5
Logs, S.E. Asia	$/cum	197	199	190	200	-4.6	5.3	-20	-15
Sawnwood, S.E. Asia	$/cum	697	718	725	730	0.9	0.7	0	0
Other Raw Materials									
Cotton	$/kg	1.91	1.71	1.65	1.75	-3.3	6.1	-0.10	0.00
Rubber, TSR20	$/kg	1.75	1.77	1.90	1.95	7.4	2.6	0.10	0.10
Tobacco	$/mt	5,899	6,881	6,700	5,500	-2.6	-17.9	1100	500
Fertilizers									
DAP	$/mt	564	685	725	650	5.8	-10.3	75	50
Phosphate rock	$/mt	153	153	160	170	4.9	6.3	0	5
Potassium chloride	$/mt	295	348	390	365	12.2	-6.4	60	45
TSP	$/mt	475	578	625	550	8.2	-12.0	85	50
Urea, E. Europe	$/mt	338	423	675	500	59.7	-25.9	265	125
Metals and Minerals									
Aluminum	$/mt	2,419	2,632	3,200	3,000	21.6	-6.3	600	300
Copper	$/mt	9,142	9,947	12,000	11,000	20.6	-8.3	2200	1000
Iron ore	$/dmt	109.4	100.2	97.0	95.0	-3.2	-2.1	3	5
Lead	$/mt	2,069	1,962	1,950	1,950	-0.6	0.0	-25	-50
Nickel	$/mt	16,814	15,162	17,000	17,500	12.1	2.9	1500	1500
Tin	$/mt	30,066	34,059	41,000	37,000	20.4	-9.8	7000	2500
Zinc	$/mt	2,776	2,868	3,000	2,750	4.6	-8.3	250	50
Precious Metals									
Gold	$/toz	2,388	3,442	4,700	4,300	36.6	-8.5	1125	925
Silver	$/toz	28.3	39.8	70.0	65.0	75.9	-7.1	29.0	28.0
Platinum	$/toz	955	1,278	1,950	1,700	52.5	-12.8	675	400

Source: World Bank.
1. The World Bank Group'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.

Commodity Market Developments and Outlook

Energy
Agriculture
Fertilizers
Metals and Minerals

Energy

Energy prices surged after the outbreak of the war in the Middle East triggered the biggest energy supply shock in history. The average Brent crude oil price exceeded $100 per barrel ($/bbl) in March and remained high throughout April. Over the course of March, the European natural gas price rose by approximately 60 percent before receding in April. The price of coal rose significantly in anticipation of higher demand for power generation. In 2026, the World Bank Group's energy price index is projected to increase 24 percent (y/y)—the first annual increase since 2022—followed by a 17 percent decline in 2027. This forecast assumes that the most acute phase of disruptions ends in May, with energy exports transiting the Strait of Hormuz gradually returning to about pre-war levels by October and only limited medium-term impacts on trade and production capacity. Brent oil is forecast to average $86/bbl in 2026, a steep increase from $69/bbl in 2025, before reverting to $70/bbl in 2027. The U.S. natural gas price is projected to increase by 8 percent in 2026 and continue rising in 2027, while the European natural gas price is expected to surge by 25 percent this year before reversing in 2027. Coal prices are likely to follow a similar path. Risks to the energy price projections are tilted to the upside and stem primarily from more extensive conflict-related disruptions. Downside risks to the price forecast include higher-than-expected oil supply if disruptions abate swiftly, global economic growth weakening further, and more renewable electricity generation than anticipated.

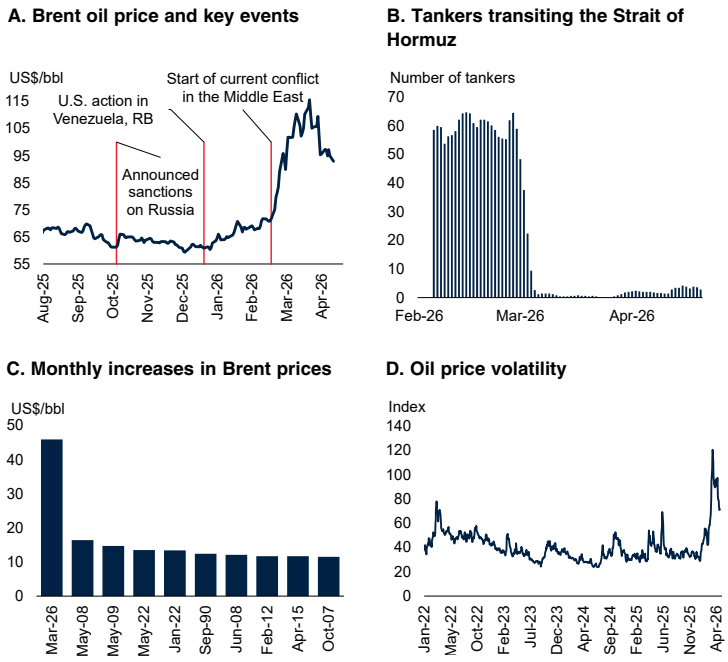
Oil

Recent developments

Before the onset of the war in the Middle East, the Brent oil price rose by about 20 percent in the first two months of 2026, reaching $72 per barrel ($/bbl) by the end of February, amid increasing uncertainty about negotiations between the United States and the Islamic Republic of Iran (figure 7.A). Since then, the transit of oil carriers through the Strait of Hormuz has ground to a near-total halt, multiple vessels have been attacked, and energy infrastructure across the region has been struck (figure 7.B). As many producers in the region started to cut back output, the Brent price surged, surpassing the $100/bbl threshold in the second week of the conflict. In response, several interventions have been set in motion to compensate for the exports hindered by the closure of the Strait. These include the temporary lifting of sanctions on oil shipments from the Islamic Republic of Iran, the Russian Federation, and República Bolivariana de Venezuela, as well as an agreement to release 400 million barrels (equivalent to 20 days of average crude oil and oil products exported through the Strait) from the emergency petroleum reserves of countries belonging to the International Energy Agency

FIGURE 7 Oil market: Global price and market developments

Brent oil prices increased substantially following the outbreak of the war in the Middle East, as oil tanker traffic through the Strait of Hormuz came to a near standstill. In March, Brent crude jumped $46/bbl, the largest monthly increase ever recorded, while implied volatility exceeded levels observed during Russia's invasion of Ukraine in 2022. In April, both the Brent price and its implied volatility have receded somewhat, while remaining markedly elevated compared with levels prior to the conflict.



Sources: Bloomberg; World Bank.

Note: bbl = barrel; RB = República Bolivariana.

A. Two-day moving average of Brent prices. Last observation is April 20, 2026. Vertical lines indicate major events.

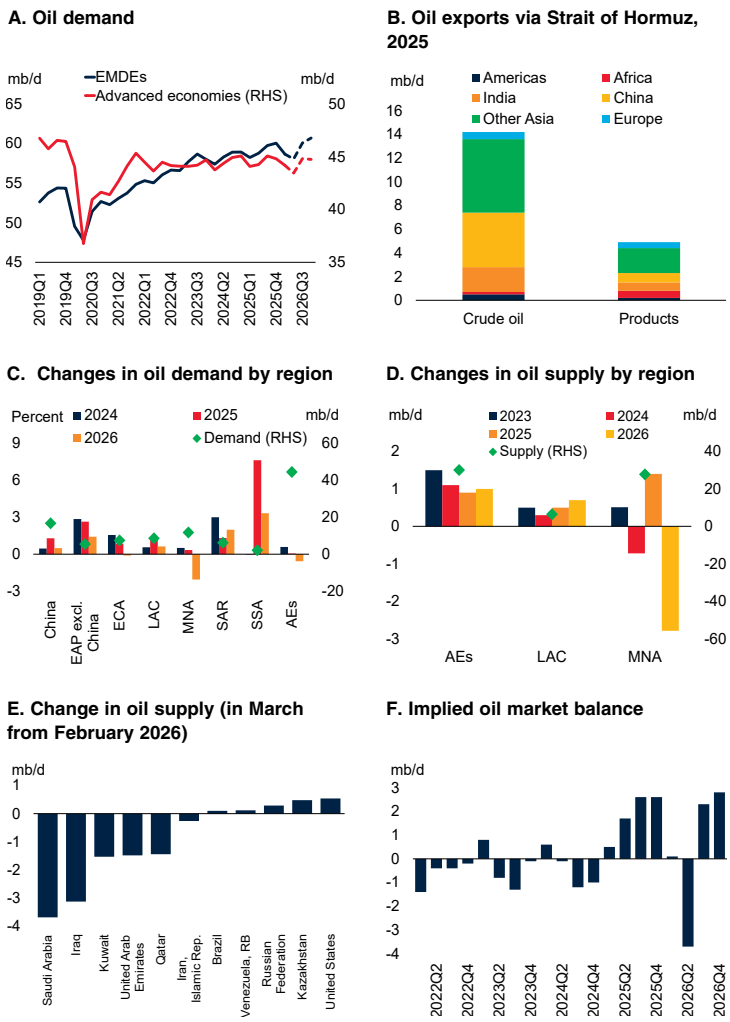
B. Five-day moving average of vessel transits of the Strait of Hormuz. Last observation is April 20, 2026.

C. Bars show the dollar difference in the end-of-month daily price of Brent compared with the previous one. Top 10 positive changes since 1988 are plotted.

D. Two-day moving average of crude oil volatility index, which measures expected 30-day volatility based on options spanning a wide range of strike prices.

FIGURE 8 Oil market: Demand and supply

Global oil consumption in 2026 is expected to edge down, as reduced oil exports via the Strait of Hormuz prompt a restructuring of international trade in crude oil and oil products. In 2026, consumption is expected to fall in advanced economies and in the ECA and MNA regions, while continuing to grow in the other emerging market and developing economy (EMDE) regions. Oil output growth is expected to turn negative in MNA while holding steady in other major producing regions. The onset of the conflict in the Middle East caused large supply reductions in the region. As production increases elsewhere have been limited, the oil market balance is estimated to have fallen to 0.1 mb/d in 2026Q1, before plunging to a deficit of 3.7 mb/d in 2026Q2, the highest quarterly deficit ever recorded.



Sources: International Energy Agency (IEA); World Bank.

Note: AEs = advanced economies; EAP = East Asia and Pacific; ECA = Europe and Central Asia; EMDEs = emerging market and developing economies; LAC = Latin America and the Caribbean; LPG = liquefied petroleum gas; mb/d = million barrels per day; MNA = Middle East, North Africa, Afghanistan, and Pakistan; RB = República Bolivariana; RHS = right-hand scale; SAR = South Asia; SSA = Sub-Saharan Africa.

A. Dashed lines indicate IEA forecasts for 2026Q2 to 2026Q4.

B. Data show oil and oil product exports transiting the Strait of Hormuz by destination. Data refer to 2025, and regional groupings follow IEA classification.

C.-D. Data for 2026 are IEA forecasts.

C. Bars show year-on-year change in demand. Diamonds show demand for 2024.

D. Bars show year-on-year change in supply. Diamonds show supply for 2024.

E. Data are calculated based on IEA's *Oil Market Report*, April 2026 edition.

F. The implied oil market balance is the difference between supply and demand. Data are from the April 2026 IEA *Oil Market Report*. Data for 2026Q2 to 2026Q4 are IEA forecasts.

(IEA). Nonetheless, by the end of March, the Brent price had surged by about 65 percent ($46/bbl) to record its highest monthly increase ever, amid pronounced volatility (figures 7.C and 7.D). Following the announcement of a two-week ceasefire in early April, the Brent price dropped notably, while remaining more than 50 percent higher than at the turn of the year. Thereafter, oil prices stabilized somewhat amid a blockade of all vessels entering or leaving Iranian ports and coastal areas, with the indication of additional negotiations as the ceasefire was extended. In 2025Q4, prior to the recent rise in tensions, the average Brent price was just below $64/bbl, its lowest quarterly level in more than four years.

Global oil demand is estimated to have increased by a modest 0.5 mb/d (0.5 percent; y/y) in 2026Q1, to 103.4 mb/d, affected by the onset of demand destruction in March as oil prices spiked. The loss of exports through the Strait of Hormuz and the resulting price increase have dampened demand somewhat in advanced economies, Asia, and the Middle East (figure 8.A). Cash premiums for crude oil and distillates reached multi-year highs, especially in Asia, because this region receives the vast majority of exports transiting the Strait (figure 8.B). Significant slowdown in demand has occurred for ethane and naphtha within the petrochemical industry, as well as liquid petroleum gas (LPG), which is primarily utilized by households. In 2025, oil consumption was stable in advanced economies while edging up only by 0.2 mb/d (1.3 percent) in China, amid steady demand for gasoline and moderate growth for other oil products. Among the emerging market and developing economy (EMDE) regions, oil demand growth rose sharply in Sub-Saharan Africa (SSA) and softened in South Asia (SAR), while other regions showed smaller changes in demand (figure 8.C).

Global oil production is estimated to have risen by a mere 0.1 mb/d, 0.1 percent, in 2026Q1 (y/y), with supply shrinking by 10.1 mb/d in March due to disruptions in the Middle East. In 2025, production growth edged down in advanced economies but inched up in LAC, as new oil fields continued to come online. Production rose by

about 1.4 mb/d in MNA, due to increased OPEC+ supply (figure 8.D). Following the onset of the conflict in the Middle East this year, the biggest supply reductions have taken place in Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates (figure 8.E). Because production increases among other major oil producers have been limited, the implied oil market balance (production minus consumption) plummeted to 0.1 mb/d in 2026Q1 from a pre-conflict expectation of 2.6 mb/d surplus (figure 8.F). Global observed oil inventories fell by 85 mb in March, with only moderate initial withdrawals from the U.S. Strategic Petroleum Reserve, which is currently about 60 percent full.

Outlook

After averaging $69/bbl in the first two months of 2026, and rising to about $100/bbl in March and April combined, the Brent oil price is expected to remain elevated in the near term before waning to deliver an average of $86/bbl in 2026 and $70/bbl in 2027 (figure 9.A). The $26/bbl upward revision of the oil price forecast since January matches the revision made in April 2022, following the Russia's invasion of Ukraine. This projection assumes that the most acute phase of supply disruptions related to the conflict in the Middle East ends in May. It also assumes that oil exports from the Middle East will recover following the peak disruptions, stabilizing around pre-war levels by the final quarter of the year. During the disruption, it is assumed that a material proportion of the oil ordinarily shipped through the Strait of Hormuz is substituted through heavy utilization of alternative egress capacity in the region. Additional offsets are assumed to come from other available supply sources, such as small production increases elsewhere, inventory drawdowns, and oil from sanctioned producers already in transit. In the second half of the year, provided that suspended production resumes and trade largely normalizes, the recent surge in oil prices is anticipated to steadily abate. By late 2026, oil markets are assumed to trend toward pre-conflict dynamics, although with lingering geopolitical risk premiums and the aftereffects of a period of severe dislocations and intense uncertainty.

Global oil consumption is projected to fall by 0.1 mb/d (0.1 percent) in 2026. This contraction arises as some countries curb demand due to disruptions in the Middle East, while others can accommodate increased consumption, albeit at levels below prior projections. Demand is expected to collectively increase in Brazil, China, India, Indonesia, and Nigeria by 0.4 mb/d, about two-thirds of the previous year's increase. Consumption is expected to be hit hardest in MNA, where demand from heavy industry is being compromised, and in advanced economies. The Islamic Republic of Iran, Kuwait, Lebanon, Qatar, Türkiye, and Viet Nam are among the countries most affected, with reductions in oil consumption ranging from about 5 percent in Viet Nam to almost 30 percent in Lebanon.

Global oil supply is expected to fall in 2026 by 1.5 mb/d (1.4 percent). In 2026Q2 alone, supply is projected to drop by almost 7 mb/d (6.6 percent; y/y), to 98.4 mb/d, the biggest quarterly fall since the COVID-19 pandemic. If the baseline assumptions hold and supply disruptions in the Middle East ease around the middle of the year, global production is expected to recover to an average of 108.3 mb/d in 2026H2. On an annual basis, oil supply reductions this year are anticipated in countries mainly exporting through the Strait of Hormuz, while production increases are expected to arise mainly from the United States, with an addition of almost 0.5 mb/d. The forecast assumes that OPEC+ production in 2026 decreases by almost 5 percent, with increases later in the year unable to fully compensate for recent forced shut-ins.

The oil market is expected to be in deficit by about 3.7 mb/d in 2026Q2, the highest quarterly deficit ever recorded by the IEA. However, assuming disruptions in the Middle East fade, significant excess supply would likely materialize in 2026Q3 and 2026Q4. Despite the production and export restrictions in the Middle East, the IEA projects a narrow surplus of 0.4 mb/d in 2026 as a whole.

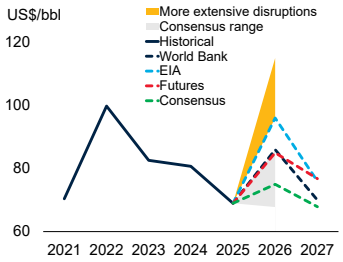
Risks

Risks to the oil price forecast are tilted to the upside. Higher prices are likely to materialize if

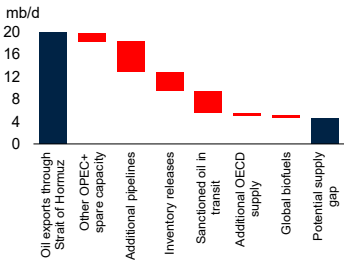
FIGURE 9 Oil market: Outlook and risks

The average Brent oil price is expected to rise to $86/bbl in 2026, then fall back to $70/bbl in 2027. The main upside risk to this forecast is more extensive conflict-related disruptions to oil production and trade in the Middle East than assumed in the baseline. Any impediments to regional pipeline flows could be especially consequential. Depending on the extent of additional disruptions, the 2026 average Brent oil price could rise to between $95/bbl and $115/bbl in 2026. Downside risks to the forecast include greater oil production than anticipated, potentially due to U.S. shale output or a swift resolution of the disruptions in the Middle East. Further downside surprises in global economic growth could curb oil demand and prices, as could a faster-than-expected EV adoption.

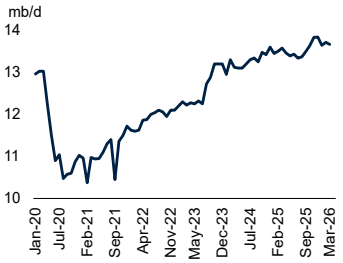
A. Price forecast comparison



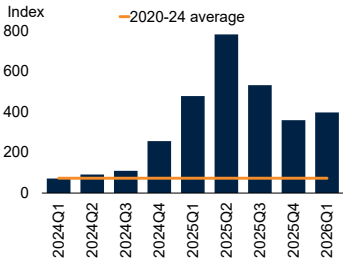
B. Potential alternative sources for oil supplied via the Strait of Hormuz



C. U.S. oil production



D. Trade policy uncertainty



Sources: Bloomberg; Caldara et al. (2019); Consensus Forecasts; International Energy Agency (IEA); U.S. Energy Information Administration (EIA); World Bank.

Note: bbl = barrel; mb/d = million barrels per day.

A. Futures data as of April 20, 2026. EIA data are from the April 2026 issue of *Short-Term Energy Outlook*. Consensus data are from the March 2026 release. Dashed lines indicate forecasts for 2026 and 2027. Futures and consensus forecasts are World Bank computations from futures and consensus data. Yellow area indicates the range for the World Bank's forecast in case of more extensive conflict-related disruptions. Grey area indicates the 10th-90th percentile range of private-sector oil price forecasts, included in the March 2026 Consensus Forecasts release.

B. Data from IEA's *Oil Market Report*, March and April 2026 editions. To translate oil stocks into possible flows, sanctioned oil in transit and IEA member countries' reserves are assumed to be released to the market over a period of four months. Figure depicts plausible alternative to oil via the Strait of Hormuz and is not a forecast.

C. Weekly data, averaged by month. Last observation is March 2026.

D. The Global Trade Policy Uncertainty (TPU) Index, as specified in Caldara et al. (2019), tracks the frequency of trade-related news articles mentioning uncertainty across major economies, with higher values signaling greater global uncertainty. Monthly data, averaged by quarter.

supply and trade disruptions related to the war are more extensive than assumed in the baseline forecast. Downside risks include faster-than-expected electric vehicle adoption, further negative shocks to global economic growth, and higher-than-expected supply, primarily in 2027.

Upside risk: More extensive conflict-related disruptions

The risks of re-escalating hostilities in the Middle East or lasting impediments to regional oil flows represent the most significant threat to the oil price forecast. Critical considerations include the duration of the near-total closure of the Strait of Hormuz and the extent to which alternative oil sources or egress routes can substitute for volumes shipped through the Strait. In the next several months, however, emergency oil reserves, newly accessible oil in transit, and other sources such as biofuels could substantially attenuate a total shutdown of exports through the Strait (figure 9.B).

In the case of more extensive conflict-related disruptions, several factors could delay or impede the restoration of pre-conflict oil flows. New constraints on exports through pipelines in the Middle East might materialize, or some potential alternative oil sources could face substantial obstacles to ramping up production. Medium-term damage to regional production and export capabilities could also mount, such that global oil production capacity might be lower by up to 4 percent. In addition, unanticipated logistical or operational hurdles in reversing shut-ins or resuming shipping could slow the recovery in supply. Under these circumstances, the Brent oil price could average in a range from $95/bbl to $115/bbl in 2026, about 10 to 35 percent higher than the $86/bbl baseline, but roughly 60 to 90 percent above expectations in January 2026. The lower end of this range could encompass delays in the recovery of shipping volumes, without additional material damage to oil infrastructure. The upper end would transpire with both additional damage to oil infrastructure and delays in resolving impediments to trade.

Downside risk: Higher-than-expected oil supply

The baseline forecast assumes a gradual resolution of oil supply disruptions over the coming months, such that Middle East oil exports build to more normal levels toward the end of 2026. Overall, OPEC+ production is assumed to decrease by almost 5 percent between 2025 and 2026, while U.S. supply is expected to increase by 0.5 mb/d. Because U.S. shale oil production has shown remarkable resilience in a low-price environment, one downside risk to the baseline price forecast is that U.S output could increase more strongly (figure 9.C). Another downside risk is that shipping disruptions in the Strait of Hormuz could be largely resolved more swiftly, potentially accompanied by additional increases in OPEC+ production, perhaps to limit any degradation of under-utilized facilities. In either case, the global supply surplus would become more pronounced than in the baseline, pushing oil prices lower.

Downside risk: Faster-than-expected electric vehicle adoption

Global electric vehicle (EV) sales are assumed to increase until 2030 at a pace roughly in line with growth in the years since the pandemic. More rapid adoption of EVs could result from concerns about oil security and future price volatility, pro-EV policies, or more rapid EV price declines. In this case, EVs will displace a greater amount of oil demand, resulting in lower oil prices.

Downside risk: Weaker global economic growth

Although the recent war in the Middle East has been in focus, global growth could falter further for a variety of reasons. A resurgence of trade tensions and elevated geopolitical uncertainty could undermine business sentiment and investment (figure 9.D). Risk appetite could decline because of stubborn inflation pressures in some economies, deteriorating fiscal trajectories, or concerns about the returns on technology investments, resulting in much tighter financial conditions. If global economic growth were to slow materially further for these or other reasons, oil demand would likely decrease, pulling prices lower.

Natural gas

Recent developments

The prices of European natural gas and Asian LNG surged due to the closure of the Strait of Hormuz, through which roughly one-fifth of global LNG usually transits, and long-term damages to Qatar's LNG infrastructure. In March, the Asian LNG benchmark increased by about 94 percent over the course of the month, with demand destruction already taking place in price-sensitive South Asian countries (figure 10.A). Meanwhile, the European price rose by about 59 percent. Prices moderated somewhat in April, with both benchmarks decreasing by about 15 percent in the first half of the month. Although Europe receives a small share of its LNG from the Middle East, the prospect of increased competition from Asian buyers pushed the European benchmark higher, in line with the Asian price. The U.S. natural gas price declined in March and April, as the U.S. market was largely shielded by large domestic production, robust inventory levels, and capped export capacity. Prior to the outbreak of the war, natural gas prices had already risen owing to unusually wintry temperatures in both Europe and the United States, which stoked demand and disrupted LNG exports from U.S. terminals.

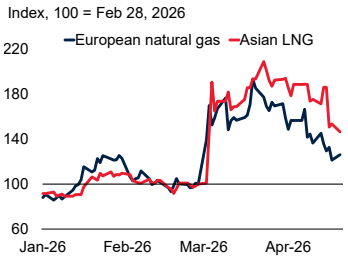
Growth in global natural gas consumption moderated in 2025. Demand increased by 0.8 percent (35 billion cubic meters, bcm), about a third of the previous year's gain (figure 10.B). Consumption stagnated in Asia Pacific due to subdued industrial demand and mild weather conditions. In Eurasia, consumption declined by almost 2 percent reflecting mild winter weather. A modest rise in North America resulted from colder winter temperatures in 2025Q1 and 2025Q4, which outweighed lower use of natural gas in power generation. Demand growth in Europe and the Middle East doubled to 15 bcm in each region, driven by power generation and, in the Middle East, by increased activity in the petrochemicals, chemicals, and heavy manufacturing sectors.

Global gas supply continued to expand in 2025 by about 1 percent (40 bcm; figure 10.B). Production

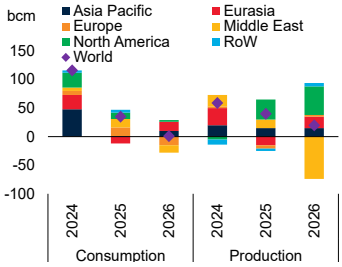
FIGURE 10 Natural gas markets

European natural gas futures leapt by about 60 percent at the onset of the conflict in the Middle East. Global gas demand is expected to remain stable in 2026, as increases in Asia Pacific and Eurasia compensate for an expected fall in Europe and the Middle East. EU gas inventories in April 2026 were notably low, comparable to levels in 2022. Natural gas prices are expected to increase across markets in 2026. Upside risks to the price forecast include extended disruptions of LNG exports through the Strait of Hormuz and faster-than-expected growth in China's LNG import demand.

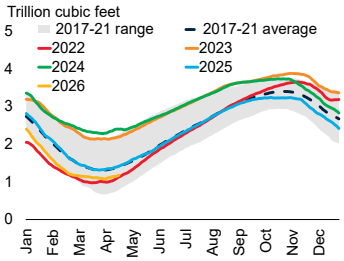
A. Natural gas prices



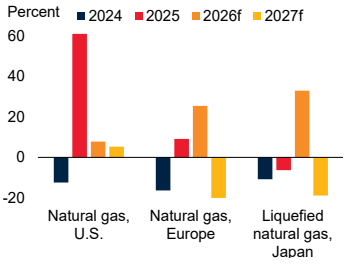
B. Changes in natural gas consumption and production



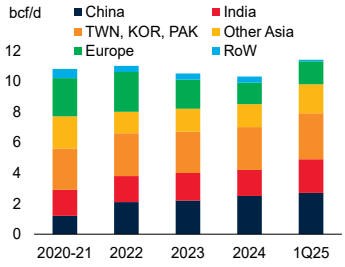
C. EU inventories of natural gas



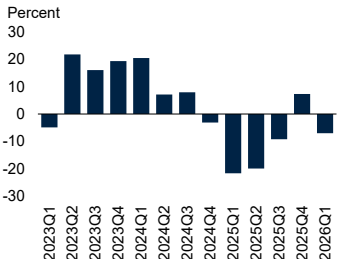
D. Natural gas price forecasts



E. Destination of LNG through Strait of Hormuz



F. China's LNG imports



Sources: Bloomberg; Gas Infrastructure Europe (AGSI+); Haver Analytics; International Energy Agency (IEA); U.S. Energy Information Administration (EIA); World Bank.

Note: bcf/d = billion cubic feet per day; bcm = billion cubic meters; f = forecast; KOR = Republic of Korea; LNG = liquefied natural gas; PAK = Pakistan; RoW = rest of world; TWN = Taiwan, China.

A. Daily data. Last observation is April 20, 2026.

B. Regions are defined as in the IEA's *Gas Market Report*. Data for 2026 are computed by World Bank staff reflecting current geopolitical events in the Middle East and previous IEA forecasts, including those in IEA's *Oil Market Report*, April 2026 edition.

C. Sample includes 20 EU countries and the United Kingdom. Last observation is April 19, 2026.

D. Changes for 2024 and 2025 are computed from historical data while changes for 2026 and 2027 are computed from price forecasts in this publication.

E. Daily volume of LNG shipped via the Strait of Hormuz for the respective time periods. In 2025Q1, the Republic of Korea; Taiwan, China; and Pakistan each accounted for about one-third of the joint share.

F. Monthly averages of China's LNG imports, aggregated by quarter. Last observation is March 2026. Data show percent year-on-year change.

in North America increased by about 3 percent (35 bcm) boosted by rising demand for LNG exports and higher prices. Supply in China expanded by 6 percent (15 bcm), enhancing domestic energy security by displacing a portion of LNG imports. Russia's production shrank by roughly 3 percent (22 bcm) reflecting weakness in both domestic consumption and exports; an increase in exports to China was more than offset by a large fall in gas piped to Europe, after flows transiting Ukraine ceased in January 2025.

Natural gas inventory levels have recently diverged across markets. In the United States, gas in storage in mid-April was close to its 2017–21 average, despite a marked decrease during the harsh winter. In contrast, EU inventories finished the winter months at the low end of their 2017–21 range, at levels close to those in early 2022 after the onset of Russia's invasion of Ukraine (figure 10.C). This reflects a relatively modest inventory buildup in the European summer months owing to high summer prices relative to winter futures prices and recently introduced EU regulations granting flexibility on refill targets. To increase its natural gas inventories, Europe will need to secure higher imports from Norway, greater LNG imports, or higher pipeline shipments from North Africa and Russia (for example, through Türkiye).

Outlook

This projection assumes that the most acute phase of production and trade disruptions ends in May, with LNG exports from the Middle East resuming over the following months without additional damages to infrastructure. The U.S. benchmark is expected to increase by 8 percent in 2026 (y/y), influenced by increased LNG exports, and by 5 percent in 2027 (figure 10.D). The European price is expected to surge by about 25 percent (y/y) in 2026, as LNG supply disruptions in the Middle East and medium-term damage to facilities in Qatar create strong global competition for LNG—which often sets the marginal price in Europe—to refill depleted inventories. The European price is projected to decline by 20 percent in 2027 as supply disruptions subside.

Global consumption of natural gas is expected to remain steady in 2026, forgoing increases that had

been expected before the outbreak of the current conflict in the Middle East. Amid physical shortages caused by production and trade disruptions, high prices will give rise to further demand destruction. Consumption is expected to decline in the Middle East on low demand from heavy industry, and in Europe with greater calls on renewable electricity and coal plants as natural gas substitutes. In Asia Pacific, consumption is expected to increase but more moderately than anticipated before the outbreak of the conflict, with demand in the power sector expected to falter while industrial and residential needs may be prioritized. In contrast, demand in Eurasia is set to continue growing due to rising industrial activity and heating needs. North America's demand is projected to remain stable, even as power usage rises for data centers.

Global natural gas production is expected to grow only moderately in 2026. Additional LNG supply is set to come from expanding output of projects operational in 2025, as well as those already confirmed to start in 2026 such as in Australia, the Republic of Congo, and the United States. Other LNG increments could come from reduced maintenance as higher prices induce greater production. Record output in North America, as new LNG terminals come online, is expected to partly compensate for supply reductions in the Middle East arising from closure of the Strait of Hormuz, delay in the expansion of the North Field in Qatar, and long-term damages to LNG infrastructure. Output is expected to increase in Eurasia, reversing the previous year's fall, and in Asia Pacific, driven by investments to meet energy security objectives. Production in the Middle East is expected to recover in 2027, despite reports that parts of the Ras Laffan LNG export facility will likely still be offline, as the first phase of the expansion of the North Field gas field and related LNG terminals come to fruition.

Risks

Risks to the natural gas price forecast are tilted to the upside. Prices could be higher than projected due to more extensive conflict-related disruptions in the Middle East, increasing competition for LNG supply, and accelerated demand from data centers. Downside risks include weaker economic growth.

Upside risk: More extensive conflict-related disruptions

The vast majority of LNG cargoes transiting the Strait of Hormuz are shipped to Asia, with a smaller but still material share sent to Europe (figure 10.E). No alternative routes exist for LNG originating in Qatar and the United Arab Emirates, and global LNG liquefaction is largely capped by utilization constraints. Accordingly, if the current conflict in the Middle East results in further damage to liquefaction plants or a longer-than-expected export interruption, global supply will be lower than expected. In these circumstances, prices could rise far above the baseline, the impact being more pronounced the longer supply disruptions persist.

Upside risk: Low storage levels in large economies

The recent depletion of natural gas inventories in Europe is likely to lead to urgent efforts to increase the pace of injections during the upcoming European summer. In the meantime, several Asian countries, such as Japan and the Republic of Korea, need to top up low inventories. As demand for LNG imports for restocking picks up, there is a risk that competition between East Asian and European countries will lead to higher-than-anticipated prices in both markets, especially if China's LNG imports resume their recent increase (figure 10.F).

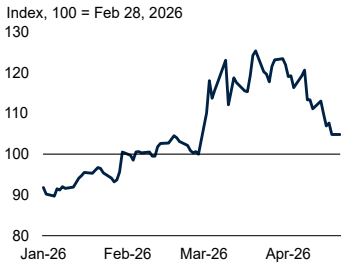
Upside risk: Artificial intelligence-related power demand

The rapid advancement of AI is causing a notable rise in the number of data centers. The IEA predicts that increasing demand from these data centers will account for 8 percent of global electricity demand growth between 2024 and 2030. If AI adoption proves faster than expected, underlying infrastructure and computing needs could increase further, raising power consumption—especially in China, Europe, and the United States. This could boost demand for natural gas, leading to higher prices.

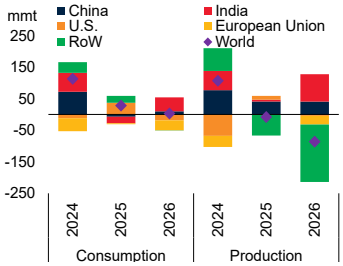
FIGURE 11 Coal markets

Australian thermal coal prices rose about 20 percent, to above $140/mt, at the onset of the Middle East conflict and have since receded somewhat. Global consumption is projected to remain stable in 2026, while production is expected to fall but still meet demand. Risks to the price outlook include upside pressure from increasing U.S. consumption and downside pressure from greater-than-expected renewable electricity generation displacing coal-fired power.

A. Coal prices

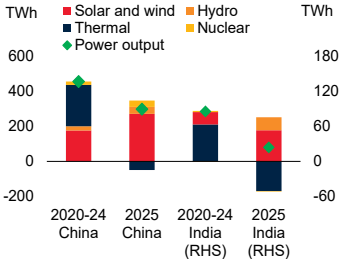


B. Changes in coal consumption and production



C. Changes in U.S. coal consumption

D. Changes in power generation by source in China and India



Sources: Bloomberg; International Energy Agency (IEA); National Bureau of Statistics of China; National Institution for Transforming India; U.S. Energy Information Administration (EIA); World Bank.

Note: avg. = average; mmt = million metric tons; RHS = right-hand scale; RoW = rest of world; TWh = terawatt hour.

A. Daily data for Australian coal prices. Last observation is April 20, 2026.

B. Thermal coal data are from the IEA's *Coal 2025* report. Data for 2025 are IEA estimates, and data for 2026 are computed by World Bank staff reflecting current geopolitical events in the Middle East and previous IEA forecasts.

C. Monthly data for U.S. coal consumption by the electric power sector. Data show year-on-year quarterly changes. Last observation is November 2025. 2025Q4 includes October and November.

D. Composition of China's and India's power output changes by source. "Thermal" includes oil, natural gas, and coal. Data show 2025 data and the average between 2020–24. "Hydro" includes hydro, small-hydro, and bio power for India.

Downside risk: Weaker economic growth

Natural gas consumption is projected to grow moderately in East Asia and the Pacific, despite relatively robust economic growth rates in the region. If this region experiences weaker-than-expected economic growth, leading to lower gas consumption, natural gas prices would likely be below the baseline. Factors that could contribute to weaker economic growth in this region include continuing challenges in China's real estate sector and a possible resurgence of trade tensions.

Coal

Recent developments

The Australian thermal coal price increased by about 20 percent in March 2026 (m/m) and remained elevated in April, as disruptions in Middle East natural gas shipments raised demand for coal in power plants in East Asia and Europe (figure 11.A). Diesel shortages arising from the Gulf conflict and soaring diesel prices are both raising costs for producers or in extreme cases limiting output. In January and February prices were relatively steady, reflecting weak global coal consumption amid reduced exports from Australia and especially Indonesia which is seeking to cap output.

Global coal consumption increased by approximately 1 percent in 2025 (y/y), driven by increases in Eurasia and the United States (figure 11.B). In the two biggest consumers, China and India, demand was dampened by rising solar, wind, and hydropower generation. U.S. coal consumption expanded by 10 percent, after a 60 percent decline over the previous 15 years, due to increased power demand—in part reflecting the surge in data center activity—and substitution prompted by elevated natural gas prices. In the European Union, demand remained stable in 2025.

Global supply of thermal coal was little changed in 2025 (y/y), as increases in China and Eurasia offset reductions in Australia and Indonesia, the two main exporters. In both China and India, governments intensified efforts to replace imports with domestic production to increase energy security. This may presage a prolonged shift, with major consumers prioritizing domestic production, such that exporters may need to adjust to diminishing international demand.

Outlook

The Australian coal price is expected to rise by 20 percent in 2026 (y/y) to $130/mt, before falling by 12 percent in 2027. This forecast assumes increased demand for thermal coal in 2026 due to Middle Eastern energy supply disruptions, with coal replacing natural gas in power plants, particularly in Asia Pacific and Europe.

Global thermal coal demand is projected to remain stable in 2026, partly compensating for interrupted gas supplies from the Middle East. Stable consumption arises despite growing renewable electricity production, amid increasing power demand for recharging electric vehicles (EVs), air conditioning, and data centers. Higher demand for coal is expected to center in China and, especially, in India, as governments turn to domestic sources to bolster energy security. Consumption in the United States is expected to be stable after increasing last year, while in Europe it is expected to continue decreasing, although at a slower rate than before the recent outbreak of conflict in the Middle East.

Global coal production is projected to decrease in 2026 while still meeting projected demand. Supply in Asia Pacific is expected to fall mainly due to the introduction of lower production targets in Indonesia. Partly in response to the conflict-related trade disruptions, supply is expected to surge in India and increase moderately in China. Production is projected to continue shrinking in Europe, while holding steady in the United States. International coal trade is forecast to decrease in 2026, as lower production targets in Indonesia restrain the quantity available for export.

Risks

Risks to the coal price forecast are broadly balanced. Upside risks include higher-than-expected power demand stemming from more extensive conflict-related disruptions of natural gas supply, stronger electricity demand from data centers, and higher coal consumption in the United States. The main downside risks are higher-than-expected renewable electricity generation and higher supply.

Upside risk: More extensive conflict-related disruptions

Extended delays in reopening the Strait of Hormuz or lasting LNG infrastructure damage in the Middle East, in addition to that which has already occurred, would boost coal's appeal, extending the temporary surge in its consumption for power generation in Asia Pacific and Europe. This could further increase import demand and international prices.

Upside risk: Broader artificial intelligence-related power demand

As outlined in the natural gas section, the adoption of artificial intelligence may be broader and faster than anticipated, potentially leading to faster growth in electricity demand than assumed in the baseline. This could increase the use of thermal coal for baseload power generation, particularly in China and the United States, where under-utilized coal power plants could quickly be brought online, drawing on local coal production.

Upside risk: Higher consumption in the United States

The price forecast assumes a resumption of the trend decline in U.S. coal consumption, despite the increase in 2025 (figure 11.C). However, the relaxation of emissions regulations or elevated natural gas prices could stabilize or raise thermal coal demand, potentially putting additional upward pressure on prices.

Downside risk: Higher-than-expected renewable electricity generation

Stronger-than-expected growth in renewable electricity generation, potentially driven by the declining cost of energy storage technologies, could reduce the need for coal-generated power and depress global demand for coal. Thus, thermal coal prices could undershoot the baseline projections in 2026 and 2027, especially if the recent sharp rises in renewable energy output in China and India continue (figure 11.D).

Downside risk: Surging export supplies from Indonesia

Because the baseline forecast assumes that coal exports from Indonesia will decrease, any unexpected rise in those exports could increase global supply and drive prices lower. Such a rise could result from favorable weather allowing uninterrupted access to mines, relaxation of regulatory or environmental measures, or an increase of the coal production target recently introduced by the Indonesian government.

Agriculture

Prices of several agricultural commodities have increased in recent weeks, mainly reflecting the effects of the war in the Middle East through higher energy costs. Thus far, the effects of the conflict on food commodity markets have been more limited than at the start of Russia's invasion of Ukraine in 2022, when disruptions to major exporters of grains and oilseeds triggered an immediate surge in food prices. With the baseline assumption that supply disruptions in the Middle East ease around the middle of the year, food commodity prices are forecast to increase by 2 percent in 2026 and 1 percent in 2027—a 3 percentage point upward revision for both years from the January 2026 forecast—with larger revisions for oils and meals as higher crude oil prices strengthen demand for biofuel feedstocks. Yet, higher transportation costs from elevated crude oil prices and lower yields due to reduced fertilizer application could raise domestic food inflation and exacerbate food insecurity, especially in vulnerable settings. The World Bank Group's overall agriculture commodity price index is forecast to fall by 6 percent in 2026 (y/y), with declines in beverage prices outweighing rises in food prices. Raw material prices are expected to be broadly unchanged. In 2027, agricultural commodity prices are projected to stabilize as the beverage price correction runs its course and a small decline in raw material prices is offset by gains in food prices. A longer or more intense than expected conflict in the Middle East, or the materialization of extreme weather events, could push food prices higher than projected.

Food commodities

Recent developments

Food commodity prices rose by about 3 percent (m/m) in March, after the near-total closure of the Strait of Hormuz, bringing food prices to a 22-month high in March. The increase in food prices during the first month of the war in the Middle East was less severe than the 11 percent increase in March 2022, one month after Russia's invasion of Ukraine—despite much larger energy and fertilizer price spikes in the new conflict (figures 12.A and 12.B). Oils and meals have experienced the largest price increase among food groups during the new conflict, by 6 percent in March 2026 (m/m), due to higher demand for biofuel feedstocks. The more muted food price response relative to 2022 reflects that Russia's invasion of Ukraine directly disrupted major exporters of grains and oilseeds, triggering immediate price spikes, whereas the new conflict is affecting food markets indirectly, mainly through higher energy and fertilizer costs. Overall, the World Bank Group's food price index rose by 5 percent in 2026Q1 (q/q) but changed little from a year earlier, with broad-based gains across all its three main components (figures 12.C and 12.D).

Despite ample global supplies, grain prices rose by 5 percent in 2026Q1 (q/q) to a level 4 percent lower than a year earlier, driven by weather-related risks, firm global demand, and rising energy and fertilizer costs owing to supply disruptions triggered by the war. Wheat prices were supported by weather concerns over winter crop conditions in parts of the Northern Hemisphere and expectations of reduced spring planting in response to higher fertilizer prices, resulting in a 9 percent increase in the quarter. Maize prices climbed to their highest level in a year, supported by robust demand from the ethanol industry and supply constraints stemming from logistical disruptions in the United States (icy conditions on some waterways) and conflict-related disruptions in Ukraine. Rice prices also edged up, reflecting strong export demand and firm domestic consumption in major exporting countries. In the first half of April, grain prices broadly held their gains amid uncertainty surrounding peace negotiations in the Middle East.

The oils and meals price index strengthened in March to its highest level in over two years, reflecting elevated crude oil prices that increased the attractiveness of biofuels, as well as higher biofuel mandates introduced in countries including Indonesia, Thailand, and the United States. The same factors continued to buoy prices into April. In 2026Q1, the index rose by 5 percent (q/q), to a level 7 percent higher than a year earlier. Soybean prices rose by 5 percent (q/q), supported by higher vegetable oil prices and expectations of renewed Chinese buying (figure

12.E). Following a thaw in U.S.-China soybean trade, China met its commitment to purchase about 12 million tons of soybeans from the United States in the 2025–26 marketing year and is expected to buy more, partly to support higher pork production. Soybean price gains have been dampened, however, by the seasonal arrival of supplies from South America. Soybean oil prices increased by 16 percent in 2026Q1 (q/q) and 25 percent (y/y) as stronger domestic use in major exporters tightened export availability and as markets reacted to ambitious U.S. biofuel targets announced in late March. Palm oil prices also firmed, bolstered by higher crude oil prices that increased biodiesel demand.

The other foods price index—about three-fourths of which is accounted for by sugar and meat—rose by 5 percent in 2026Q1 (q/q), with increases in beef prices outweighing declines in sugar prices. The U.S. benchmark for beef prices increased by 11 percent (q/q) and 22 percent (y/y) amid reduced cattle supplies and strong demand. Meanwhile, sugar prices fell by 2 percent (q/q) and 22 percent (y/y) on expectations of large surpluses in the 2025–26 season in Brazil and India, the world's two largest producers.

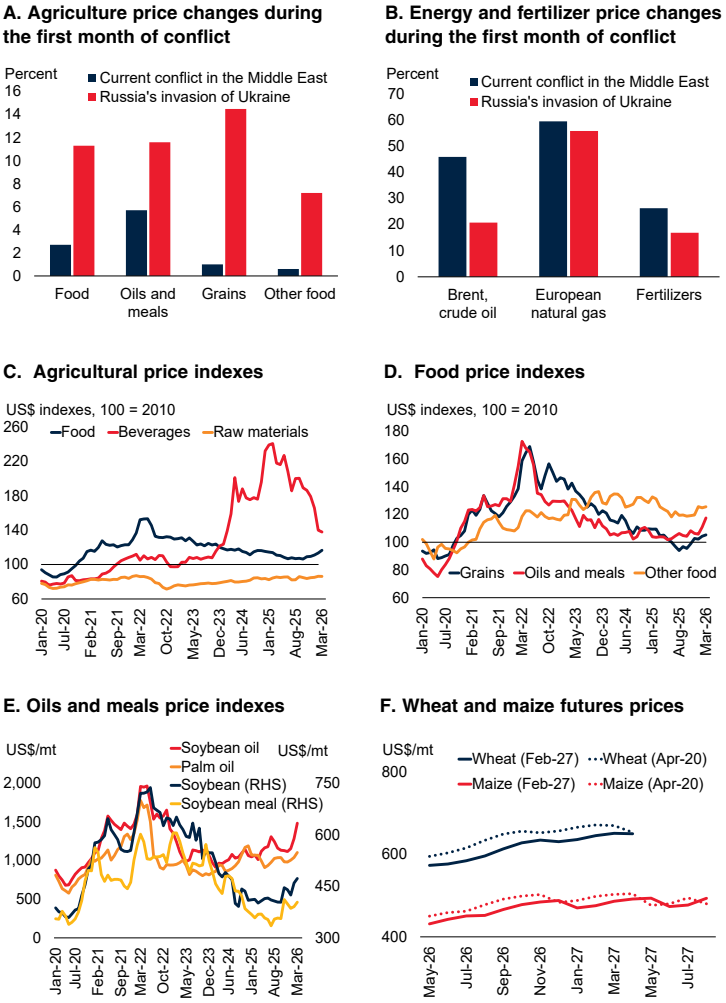
Outlook

The World Bank Group's food price index is projected to edge up by 2 percent in 2026 and 1 percent in 2027 (y/y) (table 1). This represents an upward revision of 3 percentage points for both years relative to January 2026 projections. The war is affecting food prices mainly through higher energy and fertilizer costs, though some spring season fertilizer purchases were secured before the conflict. Under the baseline assumption that supply disruptions in the Middle East ease by mid-year, the effect of the war on food commodity prices in 2026 and 2027 is expected to be smaller than during the early stages of Russia's invasion of Ukraine. Futures prices also reflect limited reactions to the conflict in the Middle East so far (figure 12.F).

Grain prices are projected to rise by 2 percent in both 2026 and 2027, driven mainly by higher wheat and maize prices. Global wheat and maize production are expected to edge down in 2026–27, after supplies improved and stocks-to-use ratios rose in 2025-26 (figures 13.A–13.C). As a result, wheat and maize prices are both forecast to increase by 4 percent in 2026, followed by additional gains of 3 percent for wheat

FIGURE 12 Agricultural prices

One month into the war in the Middle East, food prices rose 3 percent in March—below the 11 percent jump after Russia's invasion of Ukraine, despite larger energy and fertilizer price spikes during the new conflict. Food prices rose across all three main categories during the quarter, with all three major grains firming. Vegetable oil prices also increased, supported by tighter supplies and robust demand for biofuels against a backdrop of rising energy costs. So far, grain futures prices reflect limited reactions to the conflict.



Sources: Bloomberg; S&P Global; World Bank.

Note: mt = metric tons; RHS = right-hand scale.

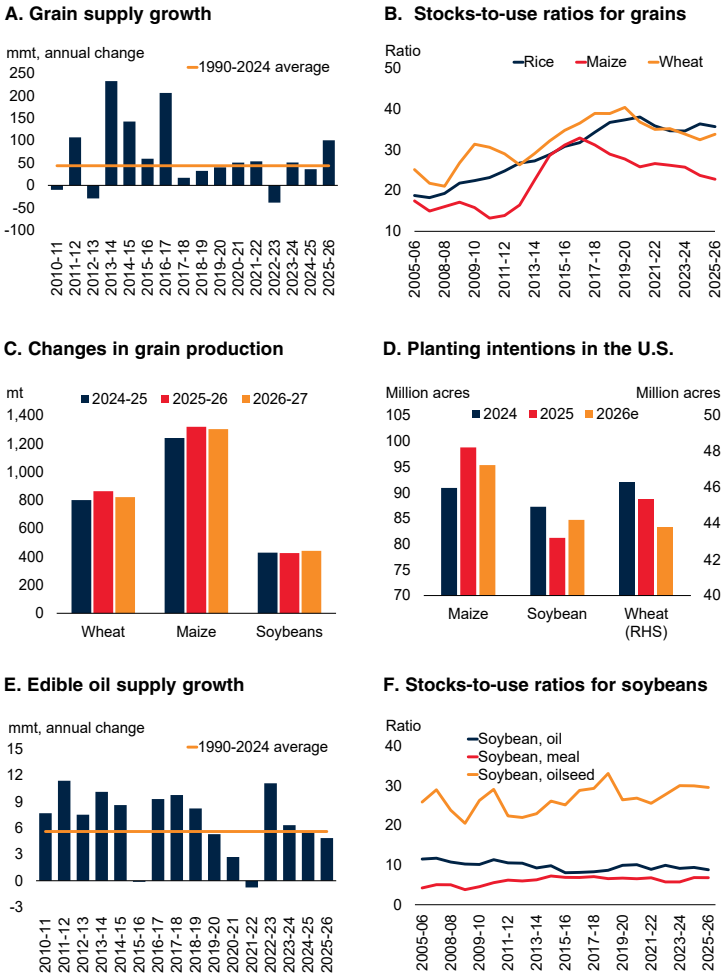
A.B. The blue bars show month-on-month changes in March 2026 compared to February 2026. The red bars show month-on-month changes in March 2022 compared to February 2022.

C.-E. Monthly data. Last observation is March 2026.

F. Futures prices for wheat and maize prices prior to the start of conflict in the Middle East, 5-day moving average prior to February 27, 2026, and latest, 5-day moving average prior to April 20, 2026. Horizontal axis shows maturity dates for different futures contracts.

FIGURE 13 Supply conditions for grains and edible oils

Global grain supply is forecast to increase in 2025–26 by more than the historical average. Stocks-to-use ratios are expected to decline somewhat for maize and rice but improve slightly for wheat. In 2026–27, wheat and maize production are expected to contract as acreages decline, while soybean area and output are projected to increase. Edible oil supply growth is set to continue, with stocks-to-use ratios improving for soybeans and soybean meal but tightening slightly for soybean oil.



Sources: International Grains Council (IGC); U.S. Department of Agriculture (database); World Bank.
Note: e = estimate; mt = metric tons; mmt = million metric tons. Year spans indicate crop seasons. Data updated as of April 15, 2026.

A.C. Supply is the sum of beginning stocks and production and excludes imports.

A. Grains include barley, maize, oats, rice, rye, sorghum, and wheat.

B.F. Stocks-to-use ratio is the ratio of end-season stocks to domestic consumption.

C. Data based on the IGC's *Grain Market Report*, March 2026 edition.

D. Data are taken from the *Prospective Plantings* report of the U.S. Department of Agriculture, published on March 31, 2026.

E. Edible oils include coconut, cottonseed, palm, palm kernel, peanut, rapeseed, soybean, and sunflower seed oil.

and 1 percent for maize in 2027. The wheat price forecast for 2026 is slightly below the mid-March 6 percent consensus increase, while the maize forecast is above the consensus expectation of little change. For 2027, the wheat forecast is modestly below the 5 percent consensus increase, while the maize forecast is broadly in line with consensus. The outlook for wheat takes into account adverse weather and logistical disruptions in major exporters early this year, alongside an expected decline of 2 percent in global wheat production in 2026–27—albeit from record levels—due to declines in both harvested area and yields.

For maize, record-high production in 2025–26 is being accompanied by sustained demand for biofuels and animal feed. In 2026–27, maize acreage is expected to contract in major exporting countries—including the United States—due to crop-rotation requirements and higher fertilizer costs, supporting a further firming of prices in 2027 (figure 13.D). Rice prices are forecast to decline by 2 percent in 2026 on ample supplies before rising by 3 percent in 2027, as low prices curb acreage gains in major exporters.

The oils and meals price index is expected to increase by 4 percent in 2026, before stabilizing in 2027. Export supplies of edible oils are expected to be constrained in 2026 by higher domestic use of soybean oil and palm oil for biodiesel in major exporting countries, in part due to conflict-related oil supply disruptions in the Middle East. However, continued growth in edible oil production and comfortable stock-to-use ratios are likely to curb price increases (figures 13.E and 13.F). Thus, both soybean oil and palm oil prices are forecast to rise by 8 percent in 2026 and remain steady in 2027.

Strong soybean oil demand is projected to lift soybean prices by 6 percent in 2026. Thereafter, a rebound in harvested area in the 2026–27 season is anticipated to limit a further price increase in 2027 to 1 percent. Soybean meal prices are forecast to decline by 2 percent in 2026, reflecting record production in the 2025–26 season driven by higher soybean oil production, before edging up in 2027. Rising vegetable oil prices and

softening oil meal prices (co-products of vegetable oil production) in 2026 are expected to shift demand from soybeans toward alternatives that yield larger amounts of oil—such as sunflower and rapeseed—reducing reliance on soybean oil and tightening soybean meal supply in 2027.

The index of other foods prices is projected to be broadly stable in 2026 before rising by 2 percent in 2027. Beef prices are projected to increase by 11 percent in 2026 amid strong demand and tight cattle supplies and are expected to rise by a further 3 percent in 2027. At the index level, the increase in beef prices in 2026 is projected to be largely offset by a 6 percent decline in sugar prices as favorable growing conditions in major producing countries boost global exports by about 4 percent in the 2025–26 season. Sugar prices are forecast to fall by a further 3 percent in 2027.

Risks

Risks to the food commodities price outlook are tilted firmly to the upside. Key upside risks include disruptions to commodity supplies in the Middle East that are longer or more intense than assumed, increasing biofuel demand, and the possible emergence of El Niño weather conditions. On the downside, weaker-than-projected global growth could dampen demand and weigh on food prices.

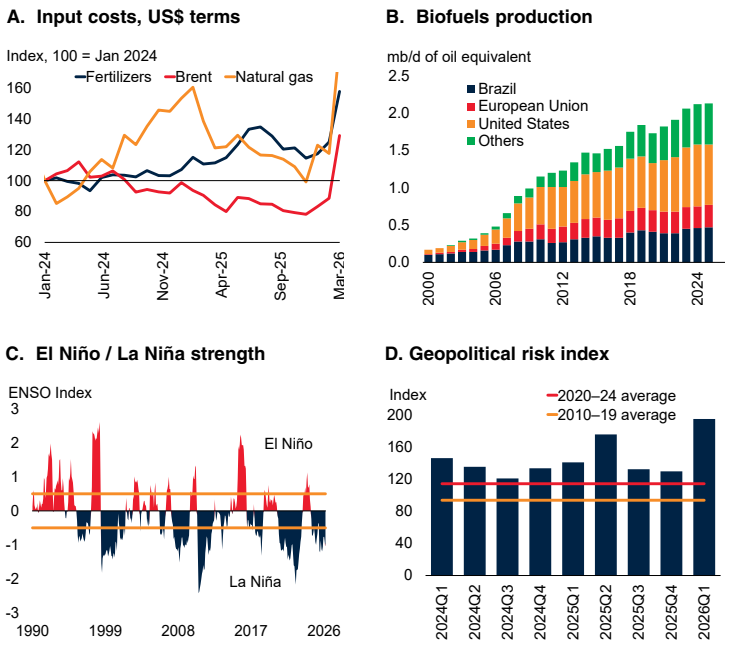
Upside risk: Higher-than-expected energy and fertilizer input costs

The closure of the Strait of Hormuz to most maritime traffic is disrupting supplies of fertilizers—especially urea and diammonium phosphate (DAP)—and LNG.[1] Both are key agricultural inputs—fertilizer directly, and natural gas as the key input for fertilizers. Accordingly, prices for these products have spiked (figure 14.A). These developments coincided with the seasonal ramp-up in fertilizer procurement ahead of Northern Hemisphere spring planting. The commodity price forecasts assume that supply disruptions stemming from the conflict in the Middle East ease around mid-year, limiting the severity of the squeeze on fertilizer supply. With more extensive disruptions, fertilizer and natural gas prices could far exceed the forecasts. In that case, there would be a significant upside risk to agricultural prices, due initially to mounting

[1]Roughly one-fifth of global exports of urea and diammonium phosphate (DAP)—the two most widely used fertilizer products—originate from countries in the Gulf (defined as Bahrain, the Islamic Republic of Iran, Iraq, Kuwait, Saudi Arabia, Oman, Qatar, and the United Arab Emirates; FAOSTAT 2023). Measured in nutrient terms across all fertilizer products, these countries also accounted for 13 percent of global nitrogen exports and 9 percent of global phosphate exports in 2023.

FIGURE 14 Risks to agricultural price projections

The war in the Middle East has triggered spikes in the prices of crude oil, natural gas, and fertilizers, putting upward pressure on agricultural commodity prices. Prolonged conflict-related disruptions could push prices above current forecasts, including through stronger demand for biofuel feedstocks, as energy prices rise. There is also a risk of an El Niño later in 2026, which could further lift agricultural prices by worsening growing conditions. On the downside, amid persistently elevated geopolitical tensions, weaker-than-expected global growth could weigh on prices.



Sources: Bloomberg; Caldara, Dario, and Iacoviello (2021); Energy Institute (database); National Oceanic and Atmospheric Administration (NOAA); Organisation for Economic Co-operation and Development (OECD); Statistical Review of World Energy, World Bank.

Note: AEs = advanced economies; EMDEs = emerging market and developing economies; ENSO = El Niño–Southern Oscillation.

A. Monthly data. Last observation is March 2026.

B. mb/d = million barrels per day. Years 2024–25 include projections from the OECD–FAO Agricultural Outlook 2024–2033.

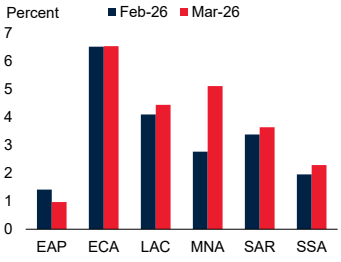
C. ENSO Index represents a centered three-month mean sea surface temperature anomaly for the Niño 3.4 region (that is, 5°N–5°S,120°–170°W). According to NOAA, events are defined as five consecutive overlapping three-month periods at or above the +0.5°C anomaly for El Niño events and at or below the -0.5°C anomaly for La Niña events. Horizontal lines indicate the +0.5°C and -0.5°C anomalies. Last observation is March 2026.

D. Bars show quarterly averages of monthly data. Geopolitical risk index based on the share of articles in 10 widely distributed newspapers related to adverse geopolitical events. For details see Caldara, Dario, and Iacoviello (2021).

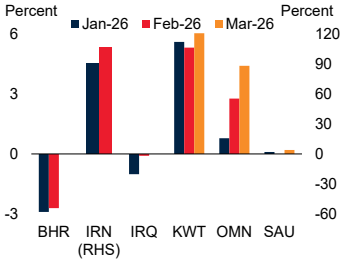
FIGURE 15 Food price inflation and food insecurity

Domestic food inflation rose sharply in MNA in March, and edged up in several other regions. The war could worsen food insecurity by disrupting food imports and raising food price inflation in EMDEs, including in Gulf countries that are highly dependent on imported food. Food inflation in EMDEs one month into the conflict shows a pattern similar to that observed one month after Russia's invasion of Ukraine in February 2022. Increased fertilizer costs could also reduce fertilizer application rates, lower yields, and add to food insecurity pressures in some regions, as occurred earlier in the 2020s.

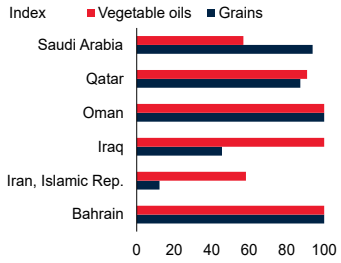
A. Food consumer price inflation, by EMDE region



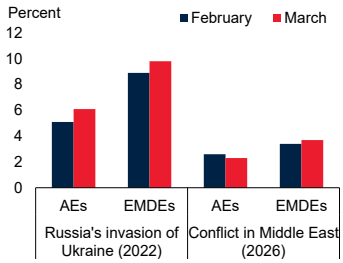
B. Food consumer price inflation in Gulf countries



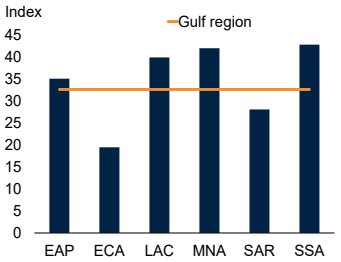
C. Import dependence in Gulf countries



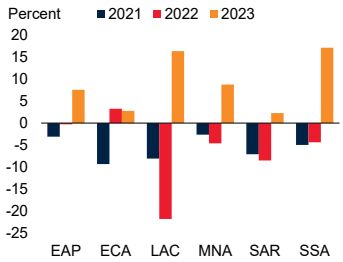
D. Food consumer price inflation around the onset of conflict



E. Food import vulnerability



F. Growth of nitrogen use per area of cropland, by EMDE region



Sources: Food and Agriculture Organization of the United Nations (FAOSTAT database); Haver Analytics; International Food Policy Research Institute (IFPRI); World Bank.

Note: BHR = Bahrain; EAP = East Asia and Pacific; ECA = Europe and Central Asia; IRN = Iran, Islamic Rep.; LAC = Latin America and the Caribbean; MNA = Middle East, North Africa, Afghanistan and Pakistan; OMN = Oman; SAR = South Asia; SAU= Saudi Arabia; SSA = Sub-Saharan Africa.

A. Bars show regional medians of year-on-year food price inflation in domestic currency terms. Sample includes up to 107 EMDEs including from EAP (14 countries), ECA (19), LAC (23), MNA (15), SAR (5), and SSA (31).

B. Year-on-year change in food price inflation for selected countries from the Middle East, data for March not available for all countries.

C. Import dependency is defined as net imports (imports – exports) as a share of domestic supply. Grains are maize, rice, and wheat.

D. Year-on-year food price inflation in February and March 2022 during the onset of Russian Invasion, compared to the same time in 2026 during the conflict in the Middle East.

E. The food import vulnerability index provides a measure of vulnerability to international price shocks for each country and each major commodity by taking into account the share of calories that the food commodity represents in the national diet, the share of national consumption of the commodity that comes from imports, and the share of population that is food insecure.

F. Bars show percent change in estimated value of fertilizer use per cropland (nitrogen). Sample includes 157 EMDEs from EAP (25 countries), ECA (22), LAC (36), MNA (21), SAR (6) and SSA (47).

cost-push pressures. Over time, the risk could manifest differently, with high fertilizer prices forcing farmers to substantially cut application rates or switch to less fertilizer-intensive crops. This could lower future crop yields, curtail food supplies, and further raise prices.

Upside risk: Biofuel demand

The recent increases in crude oil prices have put upward pressure on prices for edible oils, sugar, and maize, which can be used as feedstock for gasoline substitutes such as biodiesel and ethanol (figure 14.B). If conflict-related upside risks to oil prices materialize (refer to the executive summary and energy section), biofuel feedstock prices are likely to rise above current projections in tandem. Higher crude oil prices could also encourage a shift toward the production of ethanol away from sugar production—especially in Brazil, where mills can readily switch between sugar and ethanol. This could dampen or even reverse the projected decline in sugar prices.

Upside risk: Stronger or more prolonged El Niño than expected

Meteorological indicators suggest that the current La Niña event will transition to ENSO (El Niño-Southern Oscillation)-neutral conditions during April–June 2026, with a 61 percent chance of El Niño developing in the second half of the year (figure 14.C). However, El Niño forecasts made during the spring season have limited accuracy (NOAA 2026). If a strong El Niño were to emerge, it could disrupt production of commodities such as coffee, rice, edible oils, sugar, and natural rubber—whose production is concentrated in regions that often experience drier conditions during El Niño—and push agricultural prices above current forecasts.

Downside risk: Weaker-than-anticipated global economic growth

The baseline price forecast assumes a notable slowdown in global economic growth this year and recovery afterwards. Yet growth could turn out weaker still amid heightened trade and geopolitical uncertainty (figure 14.D). Slower-than-expected

global growth would weaken demand for food commodities, putting downward pressure on prices. That said, these effects are likely to be less pronounced than for other commodity groups, including agricultural raw materials, given the lower income elasticity of demand for food.

Implications for food price inflation and food security

Prior to the onset of the conflict in February 2026, median food price inflation in the Middle East, North Africa, Afghanistan, and Pakistan region (MNA) was more contained than in other regions. Disruptions related to the closure of the Strait of Hormuz sparked a marked increase in food inflation in March in the region, where Gulf economies are highly dependent on imported food (figures 15.A –15.C). In the Islamic Republic of Iran, where 12-month food inflation was already 98 percent in February 2026—34 percentage points above headline consumer price inflation—the consequences of the war are likely to raise food prices further and intensify threats to food security. Available March data for Gulf countries indicate that food inflation rose in Oman and Kuwait, while it was broadly unchanged in Saudi Arabia.

Although the largest increase in domestic food inflation in March 2026 was in MNA, food inflation also accelerated in Latin America and the Caribbean, South Asia, and Sub-Saharan Africa, suggesting a broad-based pickup similar to the pattern observed one month after Russia's invasion of Ukraine in 2022, in part due to pass-through from higher transportation costs (figure 15.D).

Many EMDEs are vulnerable to price increases for imported staple foods. Food import vulnerability—a measure of food import dependence, the prevalence of food insecurity, and the share of staples in energy intake—is particularly elevated in SSA, other countries in MNA, and parts of LAC (figure 15.E). If the acute disruptions to commodity trade and production brought about by the war persist beyond the middle of the year, and with oil prices remaining above $100/bbl for a lengthy period, the United Nations World Food Programme estimates that 45 million additional people could face acute hunger in 2026—more than half of them in SSA and MNA—relative to a pre-conflict baseline of 318 million (WFP 2026). The circumstances projected to trigger this outcome are broadly consistent with the protracted, severe disruptions described in the executive summary and energy sections.

In the longer term, the conflict in the Middle East may exacerbate food insecurity globally by lowering fertilizer application rates. There was a similar development in 2021–22, when fertilizer use per hectare declined across many regions as prices surged during the post-COVID recovery—driven by strong demand, rising input costs, production curtailments, and trade policies—and then rose further following the supply shocks brought about by Russia's invasion of Ukraine. Nitrogen fertilizer use per hectare of cropland in SSA fell by 9 percent and 12 percent in 2021 and 2022, respectively, while potash use in SAR declined by 16 percent and 26 percent (figure 15.F). Reduced fertilizer applications are likely to be most pronounced in vulnerable settings where there are more liquidity-constrained farms and supply chains are weaker, and therefore more likely to reduce yields in already food-insecure locations, exacerbating hunger.

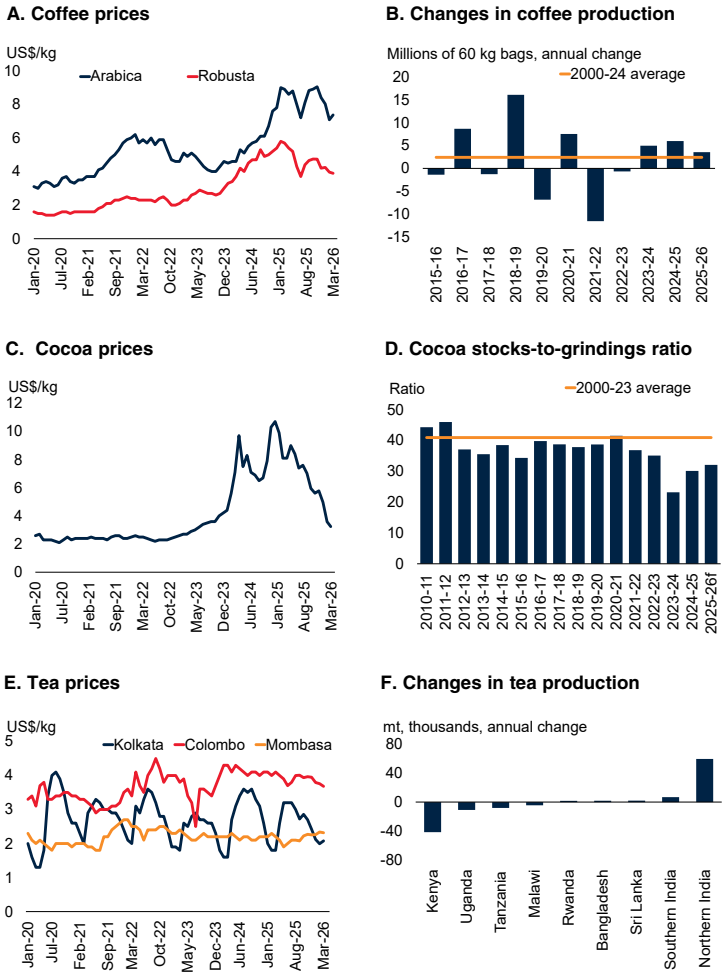
Beverages

The World Bank Group's beverage price index fell by 20 percent in 2026Q1 (q/q) to a level about one-third lower than a year earlier. This partial reversal of the preceding sharp rise in prices reflects improved supply prospects for both cocoa and coffee. After surging by 18 percent in 2025, the index is projected to decline by 30 percent in 2026 before stabilizing in 2027. Apart from tea, beverage markets are expected to face limited disruptions from the conflict in the Middle East.

Coffee prices declined sharply in 2026Q1 (q/q), reflecting improved supply prospects as well as the removal of U.S. tariffs on coffee imports from Brazil. Arabica prices declined nearly 15 percent in 2026Q1 (q/q) to levels 13 percent lower than a year earlier, while Robusta prices fell by more than

FIGURE 16 Beverage markets

Beverage prices eased early this year, led by sharp drops in cocoa and coffee prices amid improving supply conditions, while tea prices fell moderately. The annual beverage price index is expected to decline in 2026 as coffee and cocoa supplies continue to expand, alleviating earlier declines in production and stocks-to-use ratios. Increases in global tea production are expected to be heavily concentrated in India.



Sources: Africa Tea Brokers Limited; International Cocoa Organization (ICCO); Bloomberg; International Tea Committee; Tea Board India; Tea Exporters Association Sri Lanka; U.S. Department of Agriculture (database); World Bank.

Note: f = forecast; mt = metric ton.

A.C.E. Monthly data. Last observation is March 2026.

B.D. Year spans indicate crop seasons. Data as of April 15, 2026.

D. Total end-of-season stocks as a percentage of grindings. 2025–26 crop season is a forecast.

F. Twelve-month change in production from January to December 2025. Tea-producing regions in northern India include Assam, West Bengal, Himachal Pradesh, and Uttar Pradesh; those in southern India include Karnataka, Kerala, and Tamil Nadu.

11 percent to nearly 30 percent below its level a year earlier (figure 16.A). Global coffee production is projected to reach about 179 million bags in 2025–26, up by nearly 2 percent from last season—the third consecutive annual increase (figure 16.B). After surging by more than 40 percent in 2025, Arabica prices are expected to decline by more than 14 percent in 2026, followed by a more modest softening in 2027 as production continues to recover. Similarly, Robusta prices are projected to fall by 18 percent in 2026 and a further 3 percent in 2027. This outlook is subject to considerable risks, particularly the possibility of disease outbreaks if excessive rains persist in Brazil, which accounts for more than one-third of global coffee production.

Cocoa prices fell by 32 percent in 2026Q1 (q/q), reaching their lowest level since 2023Q3 (figure 16.C). The drop reflects an improved supply outlook for the 2025–26 crop season alongside weaker demand. The production recovery has been supported by favorable weather conditions in West Africa, particularly Côte d'Ivoire and Ghana, which together account for around 60 percent of global output. The recovery in supplies has pushed ongoing season's stocks-to-grindings ratio (a rough measure of supply relative to demand) to 32 percent, much closer to the long-term average of 41 percent (figure 16.D). Cocoa prices are projected to plunge by more than 50 percent in 2026 as supplies expand before stabilizing in 2027. The baseline forecast remains sensitive to weather-related risks, notably the potential emergence of El Niño.

Tea prices (three-auction average) declined by 8 percent in 2026Q1 (q/q; figure 16.E). Weather-related supply disruptions, coupled with strong demand for high-grade tea, supported prices at the Mombasa auction, while prices at the Kolkata and Colombo auctions fell by 22 percent and 5 percent, respectively, reflecting ample supplies. Despite some production concerns in Kenya and Uganda, the global tea market remains well-supplied, largely due to rising output in India (figure 16.F). After easing by 4 percent in 2025,

tea prices are projected to decline by a further 2 percent in 2026 amid weak demand in the Middle East before recovering in 2027. Risks to the price outlook are tilted to the downside, especially for East Africa tea prices. Key risks include weaker demand in the Middle East—a key tea-consuming region which sources its tea mostly from East Africa— due to the conflict and a prolonged reduction in exports to the region. These risks could intensify if shipping disruptions through the Strait of Hormuz persist for longer than expected.

Agricultural raw materials

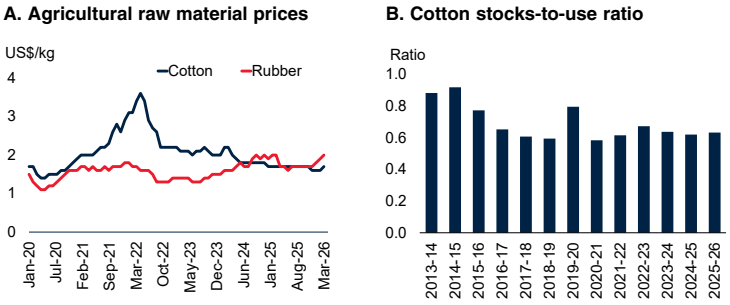
The World Bank Group's agricultural raw materials price index rose by 2 percent in 2026Q1 (q/q), largely on account of strong gains in natural rubber prices. Cotton prices declined marginally, while movements in other prices were small. The index is expected to remain broadly unchanged, on average, in 2026 before declining by almost 3 percent in 2027, mainly reflecting improved global supply conditions. Markets for agricultural raw materials are expected to face limited disruptions from the conflict in the Middle East.

Cotton prices declined slightly in 2026Q1 (q/q) to a level 4 percent lower than a year earlier (figure 17.A). The continued softness of prices reflects improved supply prospects for the 2025–26 crop year, following production growth of nearly 6 percent in 2024–25. Output is expected to increase in several key producing countries, including Brazil (20 percent), China (9 percent), and India (1 percent), but to decline in others, notably Australia (-20 percent) and the United States (-3 percent), according to the U.S. Department of Agriculture. Global cotton consumption is projected to hold steady in the current season, pushing the stocks-to-use ratio up slightly—from 0.62 at the end of 2024–25 to 0.63 at the end of 2025–26 (figure 17.B). Cotton prices are expected to decline by 3 percent in 2026 after falling by more than 10 percent in 2025, before recovering in 2027. Higher input costs are a key upside risk to the price outlook, while weaker-than-expected demand due to negative surprises to global economic growth is the main downside risk.

Natural rubber prices rose by 11 percent in 2026Q1 (q/q) but were still 5 percent lower than a year earlier. In the 12 months to January 2026, global natural rubber production increased by roughly 3 percent. This reflected robust growth in Thailand and Malaysia (about 3 percent each), which are among the world's largest producers, and in Côte d'Ivoire (11 percent). Global demand also increased modestly during the same period, led by China and India (both close to 2 percent), while demand in most advanced economies declined. Tire manufacturing, which accounts for nearly two-thirds of natural rubber use, remained broadly stable for light vehicles but strengthened for heavy vehicles, supporting overall consumption. Natural rubber prices are projected to rise by more than 7 percent in 2026 and increase slightly further in 2027 as steady demand growth continues in EMDEs. Downside risks to the price outlook include weaker-than-expected economic growth globally and especially in the large EMDEs driving additional consumption. Higher-than-projected energy costs could also place unanticipated upward pressure on prices.

FIGURE 17 Agricultural raw materials markets

The agricultural raw materials price index edged higher in 2026Q1, driven by an increase in natural rubber prices, while cotton prices continued to soften, with the cotton stocks-to-use ratio set to inch up. The index is expected to remain broadly stable in 2026 before easing in 2027, reflecting improved global supply prospects.



Sources: Bloomberg; U.S. Department of Agriculture (database); World Bank.
A. Monthly data. Last observation is March 2026.
B. Year spans indicate crop seasons. Stocks-to-use ratio is the ratio of domestic consumption to end-season stocks. Data as of April 15, 2026.

Fertilizers

The World Bank Group's fertilizer price index rose by more than 12 percent in 2026Q1 (q/q), marking the sixth increase over the past seven quarters. On a monthly basis, prices in March 2026 reached their highest level since 2022. The recent surge in the index largely reflects the impact on exports of fertilizers and inputs from the closure of the Strait of Hormuz. Price increases have been most pronounced for urea, with more moderate gains for other fertilizer types. The index is projected to increase by more than 30 percent in 2026, supported by higher input costs—particularly for nitrogen- and phosphate-based fertilizers—and resilient demand. The increase, however, remains well below the sharp spikes of 2021 and 2022 of over 100 and 55 percent, respectively, which were driven by export disruptions in Russia and Belarus alongside elevated input costs—particularly for natural gas in Europe and Asian LNG. Prices are expected to ease in 2027 as exports recover and additional global supplies come online. Nonetheless, risks to the price outlook remain tilted to the upside, including the possibility of higher-than-expected energy prices and further production and trade disruptions associated with prolonged constraints on shipping through the Strait of Hormuz, as well as undetermined damage to production and export facilities of all related materials.

Nitrogen (urea) prices averaged $725 per metric ton ($/mt) in March, an increase of nearly 55 percent from February and the highest level since April 2022 (figure 18.A). The surge reflects a near halt in exports from the Middle East region following the closure of the Strait of Hormuz, a critical shipping route for nitrogen-based fertilizers produced in the region. In 2024, the region accounted for almost one quarter of global exports of urea—the most widely used nitrogen fertilizer—and more than 15 percent of global ammonia exports (a key input into the production of urea), according to data from the International Fertilizer Association (database).

In addition to shipping disruptions, production outages have further constrained supply. The Islamic Republic of Iran has ceased ammonia production due to the conflict, while Qatar has suspended production of urea, ammonia, and sulfur following damage to its production facilities, leading to price increases in some of these inputs (figure 18.B). Production of urea and ammonia has been reduced in India (also the largest importer of both) because of declines in LNG supply. Further production curtailments and demand destruction are likely, which would negatively impact crop yields with a lag in some locations. On the policy front, there are reports that China (the world's largest producer and second largest exporter of nitrogen-based fertilizers), may curb exports starting in the second quarter to prevent domestic fertilizer prices from rising. Indeed, fertilizer exports from China during the first two months of the past three years (including 2026) have been roughly one-fifth of the levels observed over the preceding three-year period (figure 18.C). Markedly high urea prices have pushed the ratio of urea to food prices, a rough measure of fertilizer affordability, to levels not seen since mid-2022, implying tighter margins for farmers (figure 18.D).

Urea prices are projected to rise by nearly 60 percent in 2026 (y/y), with market conditions expected to remain tight for much of this year before declining by about 25 percent in 2027 as exports from the Middle East recover and natural gas prices moderate. Some modest increase in production capacity in Europe is also anticipated, following disruptions caused by the 2022 surge in natural gas prices. Key upside risks include a longer-than-assumed phase of acute shipping constraints in the Middle East or a re-escalation of conflict, which could result in deepening shortages. Furthermore, concerns about domestic fertilizer availability could induce trade restrictions by major exporters, while higher-than-expected natural gas prices could further push up input costs (natural gas accounts for 80–90 percent of production costs for ammonia, the primary urea feedstock). If such risks materialize, average urea prices in 2026 could exceed the 2022 average of $700/mt—the second-highest level in real terms after 1974.

DAP (diammonium phosphate) prices rose moderately in March but declined nearly 9 percent

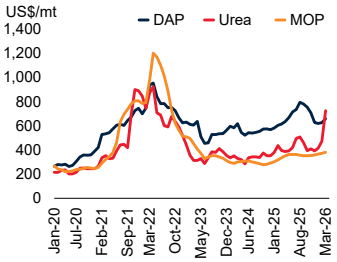
on average in the quarter, but were 6 percent above its level a year earlier. Their relative stability partly reflects the easing of China's phosphate export restrictions, with exports rebounding in the second half of 2025 after a roughly 10 percent decline earlier in the year. The ratio of DAP to food prices has declined modestly, rendering DAP more affordable than a year earlier. DAP prices are projected to increase by nearly 6 percent in 2026 and decline by 10 percent in 2027 as new capacity comes online. The forecasts, however, are subject to two key risks that could push prices much higher. First, renewed export restrictions by China. Second, a prolonged closure of the Strait of Hormuz could significantly disrupt global fertilizer trade. Nearly 15 percent of global DAP exports go through the Strait, as does about one-third of global trade in sulfur and around 15 percent of trade in ammonia, both critical inputs for DAP production (figure 18.E). Nearly half of DAP and sulfur global production is internationally traded (figure 18.F). Producer OCP in Morocco has brought forward maintenance on phosphate production that will reduce 20262Q output, likely because of disruptions to sulfur and ammonia.

MOP (muriate of potash, or potassium chloride) prices rose by more than 5 percent in 2026Q1 (q/q) bringing them to nearly 17 percent above their level a year earlier. Affordability of MOP relative to food has remained close to pre-2020 levels over the past five quarters. Overall, the global potash market remains well-supplied. Exports from Belarus have been rising following the easing of U.S. sanctions. Although EU sanctions continue to restrict shipments through Lithuania, alternative trade routes for Belarusian and Russian exports, together with higher exports from Canada and the Lao People's Democratic Republic, are expected to sustain ample supply this year and next. MOP prices are expected to rise by about 12 percent in 2026, before declining by 6 percent in 2027. In the longer term, the introduction of significant new production capacity, particularly in Canada (the world's largest potash producer and exporter), could exert further downward pressure on prices. Overall, risks to the price outlook appear broadly balanced, as MOP production and exports are not heavily dependent on the Middle East.

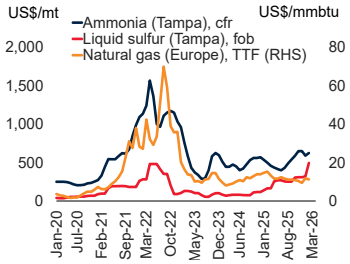
FIGURE18 Fertilizer market

Fertilizer prices rose in 2026Q1 driven mostly by urea, for which the affordability index markedly deteriorated. Increased fertilizer prices reflect supply disruptions and higher input costs due to the conflict in the Middle East, along with trade restrictions. The fertilizer index is projected to increase by more than 30 percent in 2026, but there are still risks of higher prices related to surging input costs and the potential for protracted disruptions to exports of fertilizers and crucial inputs from the Middle East.

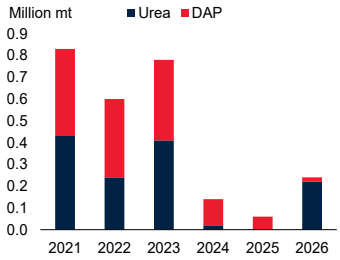
A. Fertilizer prices



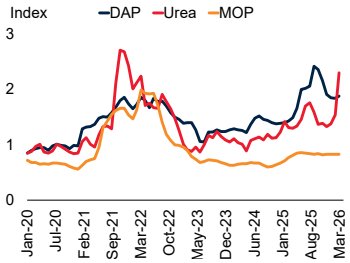
B. Fertilizer input costs



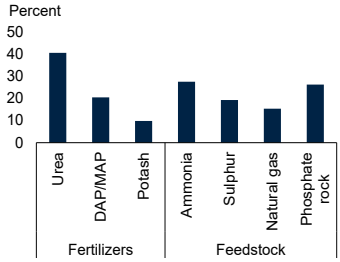
C. Fertilizer exports from China, cumulative through February



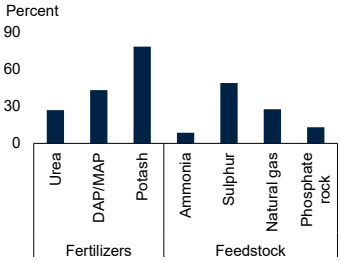
D. Fertilizer affordability indexes



E. Fertilizer exports from the Middle East as share of global exports



F. Global fertilizer exports as share of global production



Sources: Bloomberg; Bloomberg L.P.–Green Markets; Energy Institute (database); General Administration of Customs of the People's Republic of China; S&P Global; The International Fertilizer Association (database); U.S. Geological Survey (USGS); World Bank.

Note: cfr = cost and freight; DAP = diammonium phosphate; fob = free on board; MAP = monoammonium phosphate; MOP = muriate of potash; mmbtu = million British thermal units; mt = metric ton; TSP = triple superphosphate; TTF = Title Transfer Facility.

A.B.D. Monthly series. Last observation is March 2026.

C. Bars show total exports of DAP and urea from China during January and February each year.

D. Fertilizer affordability is calculated as the ratio of fertilizer prices to the food price index.

E.F. Data refer to 2024. The "Middle East" classification follows source-specific definitions (Energy Institute, International Fertilizer Association, and S&P Global), which may differ across datasets. Note that estimates of the region's role in global fertilizer production, trade, and market exposure vary across reports, reflecting differences in reference year, data sources (e.g., FAO, IFA, UNCTAD, WITS), trade definitions (global vs. seaborne), units (volume, value, or nutrient content), and geographic scope (e.g., West Asia, Middle East, Gulf countries).

Metals and minerals

Metal prices extended gains in April after increasing by 13 percent in 2026Q1 (q/q) amid growing supply concerns, including linked to the war in the Middle East. The impact of the conflict has been especially pronounced for aluminum, as the Middle East is an important supplier region. Aluminum prices are projected to increase by about 22 percent in 2026 (y/y). Together with copper price increases, these gains are expected to fuel a 17 percent rise in the metals and minerals price index this year—compared to an increase of less than 1 percent projected in January 2026—putting the index at an all-time high. The forecasts reflect tight supplies, notably for aluminum and copper, alongside firm demand from emerging industries, adding to traditional uses. The metals and minerals price index is forecast to fall by 7 percent in 2027 as supply conditions normalize. Upside risks to the projections include more data-center construction than anticipated, unexpectedly severe or lasting supply disruptions—including stemming from the Middle East war—and new trade restrictions. Downside risks stem from weaker-than-expected economic growth, particularly in China. Following strong gains in 2026Q1 amid extraordinary volatility, gold prices are projected to average $4,700 per troy ounce in 2026, up 37 percent from 2025. Overall, the precious metals price index is expected to increase by 42 percent in 2026 as gold, silver, and platinum prices all reach records. Further escalation of geopolitical tensions or uncertainty could lift precious metals prices even higher.

Base metals and iron ore

Recent developments and outlook

Base metal prices increased markedly in 2026Q1 (q/q), and rose further in April, as the war in the Middle East added to existing supply pressures on aluminum, copper, and nickel (figure 19.A). Production constraints and operational disruptions—including setbacks at large mines, policy-driven output limits in China, as well as conflict-related shipping disruptions—heightened the potential for near-term supply shortfalls, while elevated energy input costs added further upward pressure on prices.

Demand for several base metals continues to benefit from structural shifts associated with the energy transition, including expanding renewable power capacity, upgrades to transmission networks, and strong investment in data centers linked to artificial intelligence (AI). However, demand for metals used for traditional construction, including iron ore, remains subdued, reflecting the prolonged downturn in China's property sector and weak residential construction in several advanced economies amid still-elevated long-term interest rates. For 2026 as a whole, strong demand for base metals from technological expansion, combined with persistent supply constraints, are expected to outweigh weakness from the construction sector. Base metal prices are projected to rise by 19 percent (y/y) in 2026. Aluminum, copper, and tin prices are all projected to increase to all-time highs in 2026 before declining in 2027, while remaining near record levels. In contrast, the price of iron ore is projected to decline to below its 2020 level over the forecast horizon due to ample supply.

Aluminum prices rose by 13 percent in 2026Q1 (q/q), to a multi-year high, and gains continued in April (figure 19.B). The increase reflected several supply-side headwinds, including disruption to exports from the Middle East. The region accounts for about 7 percent of aluminum seaborne trade and relies partly on imported inputs, particularly alumina, through the Strait of Hormuz.

Global aluminum supply growth is expected to moderate over the forecast period. China produced just over 44 million tons in 2025, nearing its self-imposed 45 million ton output ceiling intended to curb emissions. If maintained, the cap in China, which accounts for about 60 percent of global primary aluminum production, would limit the global expansion of aluminum production. New capacity is increasingly being developed outside China, however, particularly in parts of Asia with lower power costs, and recycled aluminum makes a growing contribution to global supply. In contrast, production in Europe remains well below 2021 levels, as Russia's invasion of Ukraine triggered a surge in power costs that led to smelter closures and compromised competitive-

ness; these cost pressures have been reinforced by the rise in energy prices linked to the conflict in the Middle East.

Demand for aluminum is likely to grow steadily, supported by the expansion of electrification technologies—including solar installations, wind turbines, power transmission infrastructure, and energy storage—alongside continued demand from transport and packaging, which together account for about one-third of global consumption. However, demand from construction remains weak, reflecting the downturn in China's property sector and subdued real estate activity in advanced economies.

Aluminum prices are projected to rise by about 22 percent in 2026 (y/y) to reach an all-time high—about 21 percent higher than their January 2026 projections—supported by tight supply conditions and solid demand growth (table 1). Absent disruptions in the Middle East, the projected increase would likely have been more moderate, with recent revisions largely reflecting conflict-related supply disruptions, including shipping constraints and higher energy input costs. Prices are expected to decline by about 6 percent in 2027 as supply conditions gradually ease.

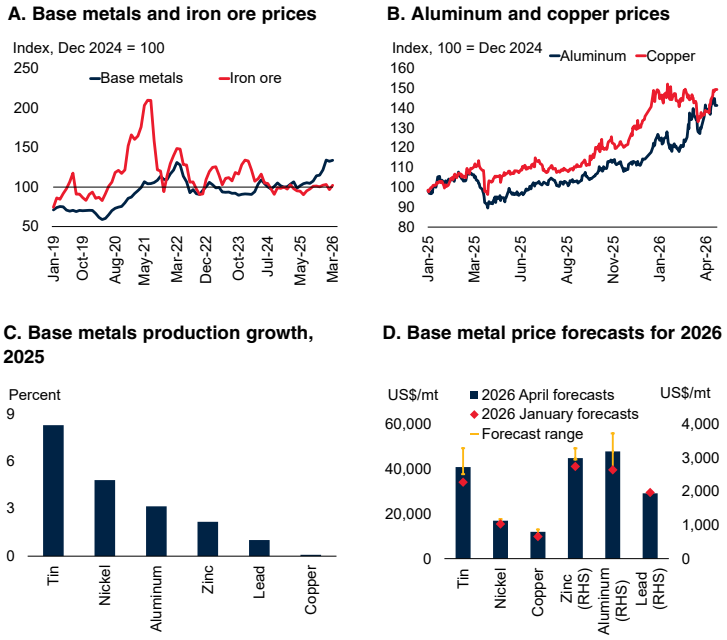
Copper prices increased by 15 percent in 2026Q1 (q/q), reaching an all-time high in January, and remained elevated through April. The rise reflected buoyant demand, supply concerns related to setbacks at key mines, disruptions to Middle East exports of sulfur—the critical input for sulfuric acid used in copper ore leaching—and continued uncertainty about U.S. tariffs on refined copper imports. Refined copper production globally was flat in 2025, and global mine output is projected to increase only modestly in the near term, constrained by declining ore grades and operational disruptions at several large mines in Asia and South America (figure 19.C).

During the remainder of 2026 and into 2027, the phased restart of Indonesia's Grasberg mine, one of the world's largest copper mines, is expected to alleviate supply constraints. Copper demand growth is projected to remain solid, driven partly by investment in electrification-related technologies, data centers, and transportation, as well as rising defense spending in major economies, particularly on military equipment and advanced systems. With firm global demand growth and supply constraints, copper prices are forecast to increase by about 21 percent in 2026 (y/y), reaching a record annual high level. Prices are then expected to decline by about 8 percent in 2027 as production disruptions unwind and market tightness eases.

Lead prices edged down by 2 percent in 2026Q1 (q/q), reflecting rising global inventories, before firming in April. Demand continues to be driven primarily by batteries, both replacement lead-acid

FIGURE 19 Metals and minerals markets

Base metal prices increased markedly in 2026Q1, while iron ore prices remained subdued. Price gains across base metals were led by aluminum, reflecting supply challenges related to the Middle East conflict, and copper, owing to broader supply concerns earlier in the quarter. Production growth remains uneven across base metals, with limited gains in some markets constraining supply. There is notable uncertainty regarding the outlook for aluminum, given elevated uncertainty about prospects for exports from the Middle East.

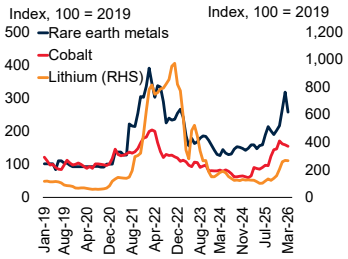


Sources: Arroyo Marioli et al. (2023); Bloomberg; Refinitiv (database); World Bank.
Note: mt = metric tons; RHS = right hand scale.
A. Base metals and iron ore price indexes. Last observation is March 2026.
B. Daily aluminum and copper price indexes. Last observation is April 20, 2026.
C. Bars show year-on-year change.
D. Blue bars show the World Bank Group's baseline forecast for 2026. Red markers show January 2026 forecasts. Yellow whiskers show forecast range for 2026 using the most optimistic and pessimistic models, as presented in Arroyo Marioli et al. (2023).

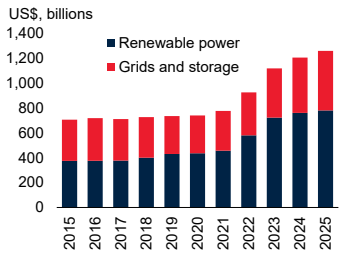
FIGURE 20 Critical minerals markets

The prices of critical minerals rose sharply in early 2026, led by lithium and rare earth metals, amid tightening supply conditions, trade restrictions, and rising geopolitical tensions. Major economies are expanding investment in the production of these minerals, but a rising tide of long-term demand—including from clean energy technologies, digital infrastructure, and defense applications—is expected to outpace supply, implying secular upward pressure on prices.

A. Price indexes for selected minerals



B. Global clean energy investment



Sources: Bloomberg; International Energy Agency (IEA); World Bank.
Note: RHS = right-hand scale.
A. Monthly data. Last observation is March 2026.
B. Data for 2025 indicates IEA estimates. Data are from the IEA's *World Energy Investment 2025* report.

batteries for internal combustion engine vehicles and auxiliary batteries for electric vehicles (EVs). The global supply of lead is expected to expand modestly over 2026–27, supported by moderate increases in mine output and continued growth in recycled production, which accounts for the majority of refined supply. This expansion in supply is anticipated to contribute to further inventory accumulation as battery demand gradually softens over the longer term. Lead prices are projected to decrease by 1 percent in 2026 (y/y) and remain flat in 2027, reflecting a well-supplied market.

Nickel prices surged by 17 percent in 2026Q1 (q/q) and have remained elevated in April, largely reflecting a policy shift in Indonesia, where about 60 percent of global nickel is produced. Following the buildup of a large oversupply of ore in recent years, Indonesia lowered its nickel ore production quotas for 2026 by about 30 percent relative to 2025 in an effort to support export prices, promote domestic downstream processing, and reduce illegal and environmentally damaging mining.

Despite the policy change in Indonesia, global refined nickel production is expected to increase modestly in 2026 and 2027 as new processing capacity comes online in Indonesia, tighter upstream ore availability is likely to constrain capacity utilization and keep market conditions tight. Further disruptions to sulfur exports (used for the leaching of nickel ore) from producers in the Middle East due to the conflict are an upside risk for nickel prices. The region accounts for nearly 25 percent of global sulfur production. Stainless steel production, which accounts for about two-thirds of nickel demand, is expected to remain the main source of demand growth, reflecting its broad use across industrial, transport, and consumer applications. Increasing EV adoption will continue to support battery demand for nickel, but the growing use of lithium iron phosphate batteries, particularly in China, is likely to partially temper growth. Globally, consumption growth is envisaged to outweigh constrained supply expansion, such that nickel prices are projected to increase by 12 percent in 2026 (y/y) and rise by 3 percent in 2027.

Tin prices leapt by 27 percent in 2026Q1 (q/q) and remained elevated in April, reflecting tightening supply conditions in key producing countries. Global refined output is projected to increase modestly in 2026, supported by continued growth in China, the world's largest producer. Elsewhere, production has been constrained by regulatory, geopolitical, and operational challenges—particularly in the Democratic Republic of Congo, Indonesia, and Myanmar. Weak new mining capacity is likely to further constrain supply growth. Global consumption is projected to expand solidly, underpinned by rising production of semiconductors, photovoltaic panels, and other energy-transition technologies. As robust demand growth meets fragile supply growth and limited inventory buffers, the tin market is on course to remain tight over the forecast horizon, with prices forecast to rise by 20 percent in 2026 (y/y) to an all-time high, before declining by 10 percent in 2027.

Zinc prices increased in 2026Q1, by 2 percent (q/q), and extended gains in April, as disruptions to zinc concentrate supplies linked to the conflict in the Middle East and weaker deliveries from other sources hindered Chinese smelting output.

China accounts for about half of global refined zinc supply. As zinc is used primarily to galvanize steel, zinc demand is closely correlated with activity in construction and manufacturing, particularly in China, the largest consumer. Accordingly, continued weakness in China's property sector is expected to weigh on steel consumption and galvanizing activity, dampening zinc demand in 2026–27. Rising zinc consumption related to growing global investment in infrastructure, power grids, and renewable energy installations is likely to provide some offset, resulting in modest global demand growth overall. Global zinc production is expected to increase modestly in 2026, with rising mine output in major producing countries improving concentrate availability, but elevated energy costs tempering the expansion of refined output. Against this backdrop, prices are forecast to increase by about 5 percent in 2026 (y/y). Improving supply—driven by higher mine output—and weak consumption growth are then expected to lead to a price decline of about 8 percent in 2027.

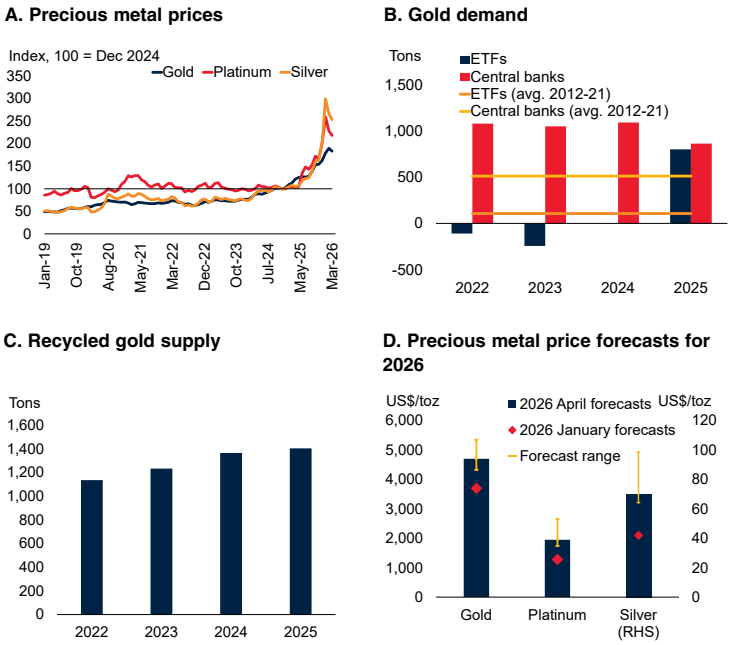
Iron ore prices declined by about 1 percent in 2026Q1 (q/q) and remained broadly stable in April, reflecting weak growth amid the prolonged downturn in China's property sector and subdued construction activity in other major economies. The outlook for iron-ore demand growth is weak, given limited prospects for the expansion of steel production and elevated inventories of the ore at Chinese ports. Continuing iron ore production growth in major exporters—including Australia and Brazil—and the gradual addition of new low-cost capacity in West Africa are expected to add to already ample global supplies. The mismatch between supply and demand momentum that has characterized the market in recent years is thus set to continue, and iron ore prices are projected to fall by about 3 percent in 2026 (y/y) and a further 2 percent in 2027.

Risks

Risks to the outlook for base metal prices are tilted to the upside (figure 19.D). Potential supply disruptions—including the possible impacts of prolonged trade disruptions in the Middle East—could further tighten metal markets and push prices above baseline projections. The impact is most direct for aluminum, reflecting damage to smelting capacity from the war and heightened exposure to shipping disruptions. Effects on copper and nickel are more indirect, transmitted through disruptions to intermediate inputs—notably sulfur—and higher energy costs for smelters elsewhere, particularly in Europe. New trade restrictions could further fragment markets and amplify price pressures. Also, faster-than-anticipated expansion of AI-related data centers could boost demand for aluminum and copper, driving prices higher. On the downside, weaker-than-

FIGURE 21 Precious metals markets

Precious metal prices surged in 2026Q1, with gold, silver, and platinum reaching record highs in January amid heightened geopolitical tensions and strong speculative and safe-haven demand. Prices eased over the remainder of the quarter into April, reflecting profit-taking, a moderation in ETF inflows, and the potential for delayed interest rate cuts to raise the opportunity costs of holding non-yielding assets. Demand has also been supported by sustained central bank purchases, while rising prices have encouraged an increase in recycled supply. Precious metal prices are projected to reach all-time highs in 2026, with forecasts subject to considerable uncertainty.



Sources: Bloomberg; Consensus Economics; World Bank; World Gold Council.
Note: ETF = exchange-traded funds; RHS = right-hand scale; toz = troy ounce.
A. Monthly data. Last observation is March 2026.
B. Gold purchases are measured in metric tons. "Central banks" include other official-sector institutions, such as the IMF. Last observation is 2025.
C. Bars show recycled gold supply in metric tons. Last observation is 2025.
D. Blue bars show the World Bank Group's baseline forecast for 2026. Red markers show January 2026 forecasts. Whiskers indicates the 10th-90th percentile range of private sector price forecasts, based on March 2026 Consensus Forecasts release.

expected global growth—particularly a sharper slowdown in China, which accounts for about half of global base metal consumption—could weigh on demand and prices.

Upside risk: Production disruptions

Metal supplies could fall short of assumed levels if production constraints intensify in key producing countries, or if the export reductions from the Middle East prove more prolonged than anticipated in the baseline. In China, production caps to protect the environment also continue to limit smelting capacity expansion, while in Europe, high energy costs have periodically curtailed production. Mining disruptions and operational challenges in major producing countries, such as labor disputes, water shortages, and weather events, have tended to recur in recent years. Sustained disruptions to sulfur exports from the Middle East, together with China's planned ban on sulfuric acid exports starting in May, could raise processing costs and constrain output of metals such as copper and nickel. Because production of several base metals—notably aluminum, copper, nickel, and tin—is relatively geographically concentrated, a confluence of localized disruptions could push global prices substantially above baseline projections.

Upside risk: Commodity-specific trade restrictions

Additional trade restrictions could fragment and tighten metal markets, leading to higher-than-projected prices. In the United States, the current Department of Commerce review of copper imports—expected to conclude in mid-2026—could lead to increased tariffs on refined copper. In turn, higher tariffs could result in additional stockpiling prior to the imposition of levies, and persistent regional price differentials thereafter. Elsewhere, policy measures restricting metals trade have proliferated for a variety of reasons. The European Union has imposed restrictions on imports from Russia, Indonesia has banned nickel ore exports, and Myanmar has levied export taxes on tin. Additional such restrictions could disrupt supply chains, raise prices, increase price volatility, and reduce market efficiency.

Upside risk: Rapid expansion of data centers

A faster-than-expected expansion of AI-related digital infrastructure could lift metal demand above baseline projections. Construction of data centers, transmission networks, cooling systems, battery storage, and backup power requires substantial quantities of metals like aluminum and copper, as well as nickel, silver and tin. Current investment programs to increase computing and related power capacity in major economies, including China and the United States, could be expanded further amid broadening AI adoption and intensifying competition within the industry. In that case, demand for various base metals could surge, pushing prices above projections, especially in the short term, given supply constraints.

Downside risk: Weaker-than-expected global growth

Global growth is projected to slow notably this year before recovering thereafter, with further deceleration in China; it could fall below baseline projections if downside risks materialize. A renewed escalation of trade tensions and heightened policy uncertainty could weaken business sentiment and investment, undercutting metals demand and prices. Tighter-than-expected global financial conditions—possibly driven by inflation concerns—could compound these effects. Risks would be amplified if there were further weakening of fixed investment in China, or in investment-intensive sectors more broadly, particularly if the rapid build-out of AI-enabling infrastructure were to falter.

Other critical minerals

Prices of other critical minerals rose sharply in 2026Q1 (q/q), led by lithium (59 percent) and rare earth metals (38 percent), while cobalt prices edged up by 3 percent (figure 20.A).[1] The jump in lithium prices was driven by production cuts among higher-cost producers and suspension of

[1] The World Bank identifies 17 "critical minerals" for the energy transition (World Bank 2020). Six of these commodities—aluminum, copper, iron ore, lead, nickel, and zinc—are included in the World Bank Group's metals and minerals price index. Other critical minerals covered in this report include battery minerals (cobalt and lithium) and rare earth elements used primarily in permanent magnets.

exports in Zimbabwe. The rise in rare earth prices reflected escalating geopolitical tensions and growing efforts by major economies to diversify supply chains. Cobalt prices increased following the imposition of export restrictions by the Democratic Republic of Congo—the world's largest producer—aimed at supporting export prices.

Critical mineral prices are likely to remain highly sensitive to actual and expected trade restrictions, while environmental permitting challenges and long mine-development lead times are likely to continue constraining output expansion. Mining and processing remain concentrated in a few countries, leaving global supplies vulnerable to idiosyncratic disruptions and geopolitical stress. At the same time, rapidly rising global investment in clean energy technologies, digital infrastructure, and defense-related technologies—all of which rely heavily on critical minerals—is set to sustain strong demand growth (figure 20.B).

To attenuate supply risks, many countries are pursuing policies intended to ramp up investment and provide access to critical minerals. In the United States, funding programs announced in 2025 aim to expand domestic mining and recycling of critical minerals, while the 2026 Project VAULT initiative aims to improve access to strategic minerals through stockpiling, supply-chain monitoring, and support for domestic processing and allied sourcing. In February, the United States also hosted a Critical Minerals Ministerial meeting with representatives of 54 countries and the European Commission to promote action to develop diversified critical mineral supply chains. The European Commission's Critical Raw Materials Act is another example of such actions. Several advanced economies have also increased financial support for overseas mining and refining projects.

Over the coming years, critical mineral prices are generally expected to continue trending upwards as demand stemming from the expansion of renewable energy, and advanced defense technologies and digital infrastructure—including AI and data centers—outpaces supply.

Precious metals

Recent developments and outlook

Precious metal prices edged down in April after a steep but volatile rise in 2026Q1 that took them to new all-time daily highs in late January (figure 21.A). Gains were widespread across gold, silver, and platinum, supported by strong investment demand, including inflows from exchange-traded funds (ETFs), amid heightened geopolitical tensions in the leadup to and early stages of the war in the Middle East. Precious metal prices are projected to reach all-time annual highs in 2026, with gold supported by safe-haven demand and sustained—though moderating—central bank purchases. Silver and platinum prices are also expected to increase further, reflecting steady industrial demand growth and tight supply conditions. The World Bank Group's precious metals price index is forecast to increase by 42 percent in 2026 (y/y), before declining by 8 percent in 2027 (table 1). Further increases in geopolitical tensions, policy uncertainty, or financial market volatility could lift prices above baseline projections. Softer industrial activity in major economies could, however, restrain demand for silver and platinum and push prices below forecasts.

Gold prices rose by 17 percent in 2026Q1 (q/q), extending a steep climb that had gathered pace in late 2025, and reached a monthly high above $5,000 per troy ounce in February before easing in April. The increase was driven by strong speculative and safe-haven demand, in the context of elevated geopolitical tensions. It was accompanied by a sharp rise in volatility—reaching multi-decade highs—as rapid speculative build-ups were unwound amid shifting interest rate expectations—partly driven by energy-related inflation linked to the war in the Middle East—and U.S. dollar movements, contributing to a recent easing in prices.

Private investment demand for gold is anticipated to remain firm in the forecast period, including inflows into gold-backed ETFs that have consistently risen since mid-2025, despite some recent moderation (figure 21.B). Central bank

purchases—a key source of demand in recent years, although they fell back in 2025 from elevated levels—are also expected to remain supportive overall. In contrast, jewelry demand—about one-third of total demand—is likely to weaken further as consumer appetite ebbs amid high prices. On the supply side, mine output is expected to be broadly stable despite high prices. Growth in recycled gold, which accounts for nearly 30 percent of global supply, slowed in 2025 after strong gains in previous years and is likely to remain subdued (figure 21.C). Against this backdrop, gold prices are projected to increase by about 37 percent in 2026 (y/y) and decline by 9 percent in 2027.

Silver prices leapt by 55 percent in 2026Q1 (q/q), reaching record levels in January, before falling back sharply in March amid historically high volatility, and easing further in April. A steep rise in speculative demand and subsequent profit-taking were major drivers of the price fluctuations, in the context of a tight supply outlook and swings in the exchange value of the U.S. dollar. Silver remains a key input in fast-growing sectors such as the production of renewable energy and semiconductors, although substitution in photovoltaic technologies is likely to temper industrial demand growth. At the same time, stronger retail investment—including coin, bar, and ETF demand—is anticipated to offset weaker demand for jewelry, silverware, and some industrial applications. Mine supply and recycling are expected to increase modestly, but not be enough to fully meet demand. As a result, with the silver market in deficit for a sixth consecutive year and reliant on above-ground inventories, prices are projected to average 76 percent higher in 2026 (y/y) before falling back slightly by around 7 percent in 2027.

Platinum prices rose by 30 percent in 2026Q1 (q/q), reaching an all-time high in January before easing through April, broadly mirroring gold and silver. The increase was driven by speculative demand amid geopolitical uncertainty and multi-year low production. Recent elevated prices are expected to dampen demand for jewelry and automotive catalytic converters—the largest end-use—although the latter risks substitution to lower-cost palladium. Global platinum production is projected to increase only slightly through 2026–27, reflecting limited gains in mine output in South Africa—the world's largest producer—and Zimbabwe. Recycled platinum, which accounts for about 20 percent of global supply, is likely to increase modestly, partly driven by higher scrap flows. These factors together suggest that following their sharp rise in early 2026, platinum prices are likely to moderate throughout the remainder of the year. Prices are still projected to increase by about 53 percent in 2026 as a whole, before declining by 13 percent in 2027 as supply gradually improves and demand moderates.

Risks

Given the sensitivity of precious metals prices to shifts in global risk sentiment, speculative demand, and macroeconomic conditions, the outlook remains subject to considerable uncertainty (figure 21.D). On balance, risks to the baseline forecast for these prices remain tilted to the upside. A resurgence of global trade tensions or financial market volatility could trigger additional safe-haven inflows into gold and silver, pushing prices above current projections. Meanwhile, prolonged conflict-related challenges in the Middle East or increased geopolitical tensions elsewhere, could reinforce investor demand, particularly for gold. And if recent patterns of heightened speculative activity in precious metals markets continue, the price effects of shocks could be amplified, causing outsized swings in prices.

Downside risks include a tightening of monetary policy in major economies in response to renewed inflationary pressures, raising interest rates beyond baseline assumptions. This would tend to increase the opportunity cost of holding precious metals, which are non-interest-bearing assets. A sustained easing of geopolitical tensions could also soften safe-haven flows, while a steeper slowdown in central bank purchases—after several years of exceptionally strong accumulation—could remove another important source of price support. In addition, weaker-than-expected economic growth could weigh on industrial demand for silver and

platinum, as could sector-specific headwinds in areas such as energy-transition technologies, electronics, and automotive production. Downside price surprises could be large, particularly if there is a significant reversal of the speculative surge in demand since early 2025 via profit-taking and portfolio rebalancing. Unexpected movements in the exchange value of the U.S. dollar could also contribute to precious metals prices departing from projections, with appreciation lowering prices and depreciation raising prices relative to the baseline.

Special Focus

The Effects of Geopolitical Oil Supply Shocks

The last few years have seen more frequent surges in geopolitical tensions, as exemplified by the recent outbreak of war in the Middle East. Many of these surges have led to sharp increases in oil prices which, if sustained, can create severe headwinds for the global economy. This special focus examines the behavior of oil markets during periods of rising geopolitical risk and quantifies the effects of geopolitical oil supply shocks, as distinct from other sources of oil supply variation, drawing on a novel methodology. It estimates that during times of surging geopolitical risk, a 1 percent reduction in oil production generates a peak oil price increase, on average, of more than 11 percent, nearly twice the increase reported in previous studies for oil supply shocks in general. Outsized oil price responses to geopolitical supply shocks suggest additional layers of precautionary behavior in oil markets, which can have different forms over time. First, at the onset of a significant geopolitical oil shock, a surge in uncertainty over future supplies and global economic conditions can drive risk premia higher, reflecting both efforts to secure physical stocks and speculative market responses. Second, the experience of geopolitical disruptions prompts greater inventory building in the medium-term as a form of self-insurance. Oil supply shocks arising out of conflict have significant and persistent spillover effects on other commodity markets—particularly natural gas and fertilizers. Overall, geopolitically driven oil supply disruptions tend to be especially destabilizing for commodity markets, with likely knock-on consequences for inflation, growth, and poverty. These results highlight the importance of policy measures to mitigate exposure to such shocks.

Introduction

Geopolitical developments often play a central role in shaping global oil market movements. The recent outbreak of conflict in the Middle East and associated oil price surge have once again underscored this relationship. However, in recent decades, many episodes have highlighted the strength and speed of the link from surges in geopolitical risk to steep rises in oil prices. Most commonly, heightened tensions in oil-producing regions have disrupted actual or expected supply, putting upward pressure on prices, but geopolitical developments that weaken global demand can instead push prices downward. Importantly, oil prices, like flexible prices in other commodity and asset markets, reflect expectations about future market conditions, and may rise in the absence of actual supply disruptions if market participants reduce their expectations about future supply. Whether such price increases endure will depend in large part on whether the anticipated shift materializes.

Broadly, three types of developments affecting supply can drive oil price movements. First, there can be episodes of heightened geopolitical tensions that lead to actual, previously unexpected, physical disruptions in oil supply. These tend to have the largest effects on prices. Iraq's invasion of Kuwait in August 1990 provides an example—global oil production fell by about 6 percent, and oil prices surged by roughly 33 percent within a month. The conflict in the Gulf region of the Middle East, which started in March 2026, is another such instance and may amount to the largest supply shock on record, with estimates by the International Energy Agency (IEA) suggesting a reduction of close to 9 percent in global oil supply by early April 2026 (IEA 2026). Correspondingly, the average Brent oil price climbed by 46 percent in March 2026, relative to February.

Second, there can be episodes of elevated geopolitical tensions that do not involve actual supply disruptions but nonetheless trigger price responses in anticipation of possible supply disruptions. For instance, when armed conflict unexpectedly erupted in the Middle East in October 2023, oil prices quickly increased by about 4 percent despite no immediate changes in oil production.

Third, oil prices can respond to changes in supply conditions signaled by developments other than geopolitical tremors. These include revisions in estimates of global reserves—resulting, for example, from new oil discoveries—and announcements by OPEC of changes in

Note: This special focus was prepared by Guillermo Verduzco-Bustos and Phil Kenworthy.

production agreements. The anticipation of such developments may mean that they are reflected in prices before they occur. Thus, in November 2017, OPEC's announcement of the extension of production cuts of around 2 percent led to an increase in oil prices of only 0.2 percent, since the decision had already been largely priced in by markets.

Experience with the first two types of episodes shows how geopolitical developments threatening oil supplies can lead to sharp increases in the level and volatility of oil prices—whether through actual or expected supply disruptions or heightened uncertainty about future supplies. This special focus analyzes oil market dynamics over the past 40 years by identifying geopolitical oil supply shocks, defined as oil supply movements that arise around large increases in geopolitical risk, and analyzing their effects on oil prices and spillovers to other commodity markets. The analysis addresses three questions:

- What are the characteristics of oil price movements around periods of rising geopolitical tensions?
- What are the oil market effects of oil supply shocks associated with surges in geopolitical risk?
- How do geopolitical oil supply shocks propagate to other commodity markets?

Main findings

The special focus presents the following main findings:

Elevated oil market volatility coincides with geopolitical tensions. Oil price volatility, measured by the standard deviation of monthly price changes, has on average been roughly twice as high during periods of rising perceptions of geopolitical risk as during normal market conditions. Episodes of rising geopolitical risk are typically characterized by market assessments of increased risks of supply disruptions, together with greater uncertainty about current and future oil market conditions. Price volatility is naturally higher during such periods.

Geopolitical oil supply shocks lead to larger price effects than other types of oil supply shocks. A 1 percent decline in oil production associated with a geopolitical shock is estimated to result, on average, in an 11.5 percent increase in oil prices. This is roughly twice as large as the typical price response to oil supply shocks estimated in earlier studies (Caldara et al. 2019; Baumeister and Hamilton 2019). This finding reflects the novel identification strategy employed here. By isolating oil price surprises that occur during periods of heightened geopolitical risk, the analysis captures the particular oil market dynamics associated with heightened uncertainty and geopolitical threats, and finds that oil price responses to supply shocks are larger in these settings than at other times.

Geopolitical oil supply shocks have had distinct effects on the behavior of oil inventories. As with other oil supply shocks, oil inventories have initially been drawn down to offset reduced production. However, with geopolitical, but not other, supply shocks, this initial decline has typically been subsequently reversed, with inventories increasing beyond their original level and remaining persistently elevated. This is likely to reflect precautionary stock-building by market participants whose assessment of future supply risks and broader economic uncertainty has been increased by their experience of geopolitical shocks.

Geopolitical oil supply shocks have had significant spillovers to other commodity markets, with marked increases in commodity prices, particularly for natural gas and fertilizers.[1] A 10 percent oil price increase due to a geopolitical oil supply shock has been associated, on average, with increases in natural gas prices that have peaked at about 7 percent after 11 months, and increases in fertilizer prices that have peaked at a little over 5 percent after 12 months. These price increases have tended to show notable persistence. Prices in other commodity groups—including food, agricultural raw materials, and precious metals—have also responded significantly to these shocks, but with smaller increases. The estimates also suggest that following geopolitical oil supply shocks, the prices of

[1] For a detailed discussion about commodity prices synchronization, refer to World Bank 2024 and 2025a.

oil-adjacent commodities have been significantly more responsive to changes in oil prices than under normal market conditions. Implied elasticities of natural gas and fertilizer prices with respect to oil prices are close to 50 percent larger.

Overall, the findings show that oil supply disruptions occurring in turbulent geopolitical contexts have had distinct and particularly destabilizing consequences for oil and other commodity markets. They also indicate that a differentiated assessment of oil market developments is needed during periods of heightened geopolitical instability. The findings also reinforce the case for proactive policy measures to limit the exposure of economies—particularly oil importers—to such shocks.

Methodology and data

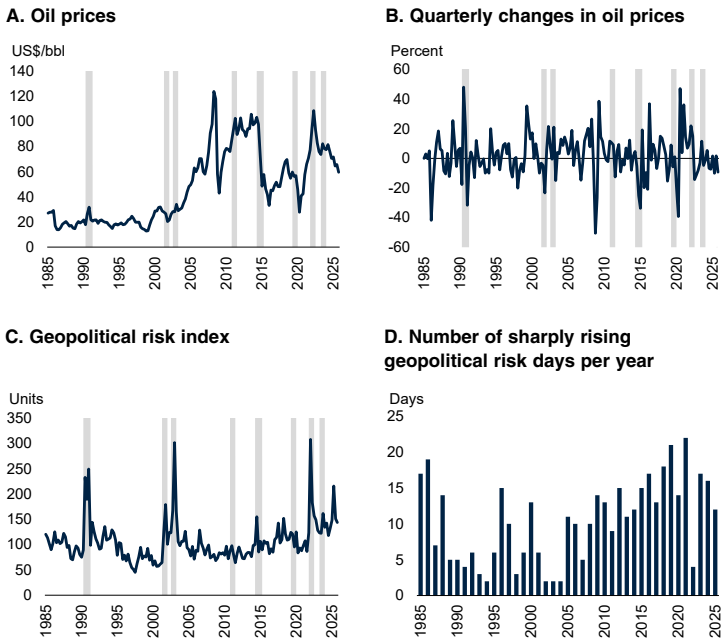
The special focus uses a novel identification strategy to isolate geopolitical shocks to oil markets over the period January 1985–October 2023 and estimate their effects on oil prices and quantities and on other commodity prices.[2]

Identification. The identification strategy isolates oil price movements that have occurred alongside spikes in geopolitical risk and that are likely to have been exogenous to global macroeconomic conditions. This approach aims to quantify the empirical relationship between spells of rising geopolitical risk and oil prices. Rapid increases in geopolitical tensions have often been associated with sharp and unexpected surges in oil prices, reflecting increased market expectations of future supply disruptions, the materialization of such disruptions, and associated precautionary and speculative demand (figures SF.1.A and SF.1.B).

Geopolitical oil price surprises and oil supply shocks. Geopolitical risk is measured using the threats component of the Geopolitical Risk (GPR) Index developed by Caldara and Iacoviello (2022), which is intended to capture the intensity of geopolitical threats based on reports in leading international newspapers (figure SF.1.C).[3] Days of rising geopolitical risk are identified as those in which the GPR index increases by more than 2 standard deviations of its daily growth rate (an increase of close to 200 percent; figure SF.1.D). For these episodes, changes in oil prices are com-

FIGURE SF.1 Oil prices and geopolitical risk

Oil prices are especially sensitive to perceived geopolitical risks, often responding to rising geopolitical tensions even in the absence of actual supply disruptions, and rising more sharply still if disruptions materialize. Recent years have seen an increase in the frequency of surges in geopolitical risk, as gauged by references in newspaper articles.



Sources: Caldara and Iacoviello (2022); World Bank.

A.-C. Shadow areas highlight nine events associated with significant increases in geopolitical risk and sharp, immediate oil price responses. In chronological order: Iraq's invasion of Kuwait (August 1990); the start of the Gulf War (January 1991); the terrorist attacks in the United States (September 2001); the oil strike in República Bolivariana de Venezuela (December 2002); the start of the civil war in Libya (February 2011); the breakdown of OPEC cooperation amid escalation of conflicts in Ukraine and the Syrian Arab Republic (November 2014); the drone attacks on Saudi Arabia's oil facilities (September 2019); Russia's invasion of Ukraine (February 2022); and the outbreak of conflict in the Middle East following attacks on Israel (October 2023).

C. Geopolitical risk index (threats category) developed by Caldara and Iacoviello (2022). It captures references in international newspapers to geopolitical tensions signaling potential escalation of conflict. These include mentions of diplomatic frictions, threats of military action, war warnings, and related language indicating heightened geopolitical risk. Using a keyword-based methodology applied to 11 major international newspapers, Caldara and Iacoviello (2022) identify relevant articles and compute the monthly share of such references relative to total news coverage.

D. A day of sharply rising geopolitical risk is defined as a day in which the geopolitical risk index increases by more than two standard deviations of its daily average price change (an increase of close to 200 percent). 426 such days were identified out of 14,961 days during 1985–2025, representing 2.8 percent of all days.

[2] Recent comprehensive analyses of the relationship between geopolitical developments and oil price movements include Baumeister and Hamilton (2023), Baumeister (2023), Bondarenko et al. (2024), Kilian, Plante, and Richter (2024), and Pinchetti (2024). A full literature review is provided by Verduzco-Bustos and Zanetti (2026).

[3] The *Threats* component of the index is used in the analysis because it reflects a broad range of events that affect expectations or risk premia in energy markets, not just events that affect actual supply conditions, which may have been anticipated and already reflected in market prices. News related to the likelihood of geopolitical events tends to affect oil prices through expectations and risk premia, while the subsequent occurrence of those events may have limited impact if they are already priced in by markets.

puted within a narrow event window encompassing the trading days before and after the event. A data series of daily geopolitical oil price surprises is thereby constructed, and a monthly series of such surprises is obtained by aggregating the daily surprises over each month. This measure is subsequently used as an external instrument in a proxy vector autoregression (VAR) framework to identify the effects of geopolitical shocks on oil market variables, thereby isolating geopolitical oil supply shocks.[4]

Spillover analysis. Following the identification of geopolitical oil supply shocks using the proxy SVAR framework, local projection methods are applied to examine spillovers to other commodity markets. This approach provides a flexible and transparent framework for estimating impulse responses, and is particularly well suited to capturing heterogeneous and country-specific transmission patterns of geopolitical oil supply shocks.

Data and sources. Monthly data are used for the sample period January 1985 to October 2023. The benchmark model includes three core oil market variables. Global oil production is measured in thousands of barrels per day and obtained from the U.S. Energy Information Administration (EIA). The real oil price is measured using the West Texas Intermediate (WTI) crude oil price deflated by the U.S. Consumer Price Index (CPI), obtained from the Federal Reserve Economic Data (FRED). Oil inventories are petroleum inventories as reported by the Organisation for Economic Co-operation and Development (OECD), following Kilian and Murphy (2014). Additional control variables are also included in the model to account for broader market and macroeconomic conditions.[5]

For the analysis of spillover effects, monthly data are employed for seven commodity price indexes—the aggregate World Bank commodity price index and six subindices covering fertilizers, foods, metals and minerals, natural gas, precious metals, and agricultural raw materials—and for six individual commodities. In all, price data for 29 commodities are included in the analysis. This disaggregation allows a systematic assessment of heterogeneous responses across commodity categories with different production structures and degrees of energy intensity. All commodity price data series are obtained from the World Bank *Pink Sheet*, which provides consistent and internationally comparable monthly price data.

Behavior of oil prices in periods of rising geopolitical risk

As a starting point for assessing oil price behavior during periods of rising geopolitical risk, the volatility of oil prices is compared between months characterized by sharply increasing geopolitical risk perceptions and months when geopolitical risk is viewed as stable (figure SF.2.A). Over the past four decades (1985–2025), oil price volatility (measured by the standard deviation of the monthly growth rates of oil prices) during months of rising geopolitical risk is found to have been about 1.8 times that during stable-risk months. This is consistent with the view that oil price movements tend to be pronounced when geopolitical events occur and may also be amplified by a background environment of generally heightened perceptions of geopolitical risk. Similar patterns are found when the sample is divided into 10-year subperiods. The contrast in volatilities is particularly pronounced in 2006–15, when oil price volatility during mounting risk periods was approximately 2.4 times that during stable-risk periods. During 2016–25, oil price volatility during stable-risk periods was higher than in earlier decades, likely reflecting disruptions associated with the COVID-19 pandemic. However, volatility during months of rising geopolitical risk was again notably greater.

Individual historical events also indicate clearly how geopolitical developments can stoke oil price volatility (figure SF.2.B). Evidence from nine major geopolitical episodes is considered: Iraq's

[4] Additional details on the construction of the instrument are provided in the annex of this special focus. For further methodological details, refer to Verduzco-Bustos and Zanetti (2026).

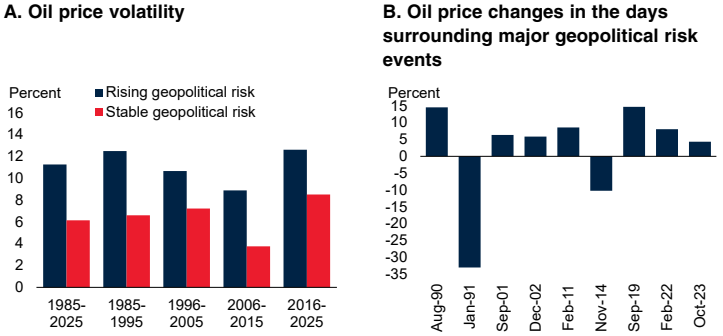
[5] Further details on data construction and sources are provided in Verduzco-Bustos and Zanetti (2026).

invasion of Kuwait (August 1990); the start of the Gulf War (January 1991); the terrorist attacks in the United States (September 2001); the oil strike in República Bolivariana de Venezuela (December 2002); the start of the civil war in Libya (February 2011); the breakdown of OPEC cooperation during the escalation of conflicts in Ukraine and the Syrian Arab Republic (November 2014); the drone attacks on Saudi Arabia's oil facilities (September 2019); Russia's invasion of Ukraine (February 2022); and the outbreak of conflict in the Middle East following attacks on Israel (October 2023). Across these episodes, oil prices exhibited an average absolute change of 12 percent within a narrow window of 1 to a few days around each event, with the largest change—33 percent—in January of 1991 following the start of the Gulf War.

Taken together, this evidence suggests that oil price volatility is systematically higher in turbulent geopolitical contexts, with geopolitical events generating oil price movements that are large, abrupt, and unpredictable. This feature is central to the empirical strategy developed in the next section, which seeks to identify the dynamic effects of geopolitical oil supply shocks on oil and other commodity markets.

FIGURE SF.2 Oil price volatility around periods of rising geopolitical risk

Between 1985 and 2025, oil price volatility was nearly twice as high during periods of rising geopolitical risk as during low-risk periods, a pattern that remains robust across ten-year subperiods and was particularly pronounced during 2006–15. All nine major geopolitical events identified in the period were associated with large and abrupt oil price movements, with an average absolute price change of about 12 percent. Overall, the evidence indicates that significant increases in geopolitical risk have been systematically associated with unusually large oil price movements.



Sources: Caldara and Iacoviello (2022); World Bank.

A. Figure shows the average standard deviation of the monthly growth rate of oil prices for different samples. Rising geopolitical risk periods are identified when the monthly growth rate of the geopolitical risk index is two standard deviations from its mean. Stable geopolitical risk periods are defined when the growth rate of the geopolitical risk index is within a band of plus/minus 1 percent.

B. Nine major episodes of high geopolitical risk are identified: Iraq's invasion of Kuwait (August 1990); the start of the Gulf War (January 1991); the terrorist attacks in the United States (September 2001); the oil strike in República Bolivariana de Venezuela (December 2002); the start of the civil war in Libya (February 2011); the breakdown of OPEC cooperation amid escalation of conflicts in Ukraine and the Syrian Arab Republic (November 2014); the drone attacks on Saudi Arabia's oil facilities (September 2019); Russia's invasion of Ukraine (February 2022); and the outbreak of conflict in the Middle East following attacks on Israel (October 2023). Values reflect absolute oil price changes in a narrow window of one or a small number of days surrounding the event, depending on the nature and timing of the event.

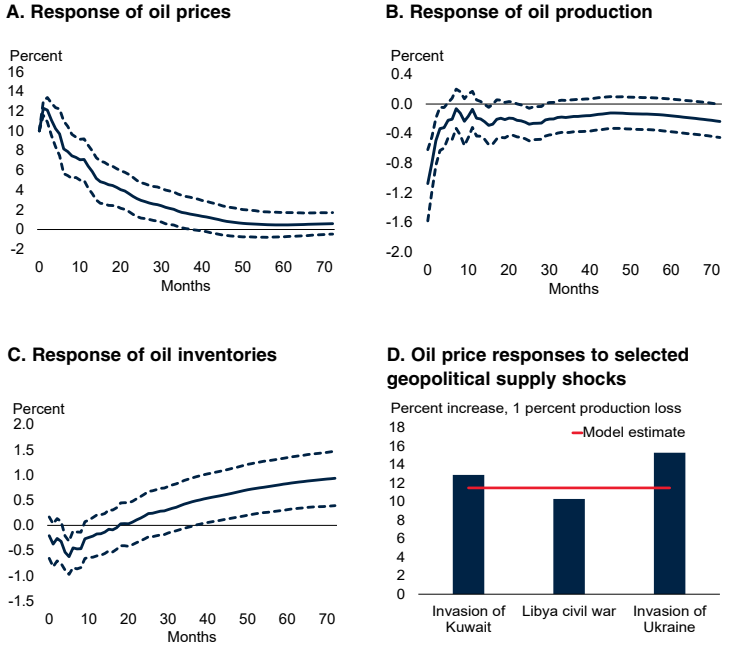
Effects of geopolitical oil supply shocks on the oil market

The dynamic effects of geopolitical oil supply shocks are examined using impulse response functions (IRFs) based on a shock normalized to raise the real price of oil by 10 percent on impact, estimated from the proxy SVAR model (figure SF.3). This normalization facilitates interpretation and allows the magnitude of responses to be compared across variables and over time. The normalized geopolitical oil supply shock is characterized by a contraction in global oil production, leading to a persistent and statistically significant increase in the real price of oil (figures SF.3.A and SF.3.B). This fits standard, widely documented patterns of negative oil supply shocks.

The estimated behavior of oil inventories, however, differs from standard supply-shock dynamics. In the short run, inventories decline as they are drawn down to mitigate the supply shortfall, in line with conventional analysis (refer to, for example, Baumeister and Hamilton 2019; Baumeister and Peersman 2013; Kilian 2014; Kilian and Murphy 2014). However, beyond the short term, unlike in most previous studies, inventories not only regain their initial levels within two years but subsequently continue rising. This likely reflects increased precautionary demand for inventories as a form of self-insurance, given heightened perceptions of uncertainty about future supply prospects generated by geopolitical shocks (figure SF.3.C). This is consistent with the mechanism proposed by Känzig (2021), whereby adverse news about future oil supply induces stockpiling.

FIGURE SF.3 Estimated oil market responses to geopolitical oil supply shocks

Around swift rises in geopolitical risk, sharp oil price increases are typically accompanied by declines in production. Inventories are initially drawn down to smooth the short-run production shortfall but rebuild over the medium term and reach higher-than-initial levels. This likely reflects increased precautionary demand amid heightened uncertainty caused by the geopolitical shock.



Sources: International Energy Agency; World Bank.

A.-C. Impulse responses of variables to a shock normalized to raise the real price of oil by 10 percent on impact, with one-standard-deviation confidence bands (dotted lines) computed from 5,000 bootstrap replications.

D. Bars show the first-month oil price increase per 1 percent loss of global oil production during selected historical events; line shows the maximum price response to a 1 percent oil supply shock based on the proxy SVAR model.

Another difference from the results of previous studies is that the estimated response of oil prices to changes in oil production is markedly larger. A 1 percent decline in oil production associated with a geopolitical oil supply shock is estimated to result, on average, in a peak increase of 11.5 percent in oil prices. This oil price impact is nearly twice as large as the estimates in earlier studies using conventional supply-shock identification strategies (Baumeister and Hamilton 2019; Caldara et al. 2019).[6] The difference reflects the fact that standard approaches typically utilize several sources of supply variation, including natural disasters and OPEC policy actions. In contrast, by isolating oil price movements linked to geopolitical risk surges, the present analysis allows a more tailored assessment of the specific effects of supply shocks linked to geopolitical events. In terms of behavioral and market drivers, particularly large initial oil price responses to geopolitical supply shocks may be traced to factors that push up risk premia, including urgent efforts to secure physical supplies (or near-term deliveries) immediately after a shock, as well as speculative market responses.

The modeled price response to geopolitical shocks is also consistent with observed historical price responses to material oil supply disruptions linked to geopolitical stress (World Bank 2023). For example, during Iraq's invasion of Kuwait in August 1990, real oil prices increased from $14.28 to $25.42 per barrel, while global oil production declined by 6 percent—suggesting a price rise of 12.9 percent for a 1-percent reduction in production. During the civil war in Libya in February of 2011, real oil prices rose from $40.4 to $46.1 per barrel, while production fell by 1.38 percent, implying a 10.3-percent increase for a 1 percent supply loss. Similarly, during Russia's invasion of Ukraine in February 2022, real oil prices increased from $43.9 to $51.5 per barrel, while global production declined by 1.1 percent, suggesting a price hike of 15.3 percent for a 1 percent production decline. The alignment of the relationship between price and production movements during these historical episodes with the model-based results supports that the modeled geopolitical supply shock effectively captures the dynamics of oil markets during major geopolitical disruptions (figure SF.3.D).

Spillovers to other commodity markets

Oil price movements propagate to other commodity markets through several channels. First, complementarities in extraction and geography mean that negative oil supply shocks tend to coincide with reductions in the supply of related energy commodities, particularly natural gas. Oil and gas are frequently jointly produced because their reserves are co-located, so supply disruptions

[6] Previous studies find that a 1 percent decrease in oil production is associated with an increase in oil prices of between 4 and 7 percent.

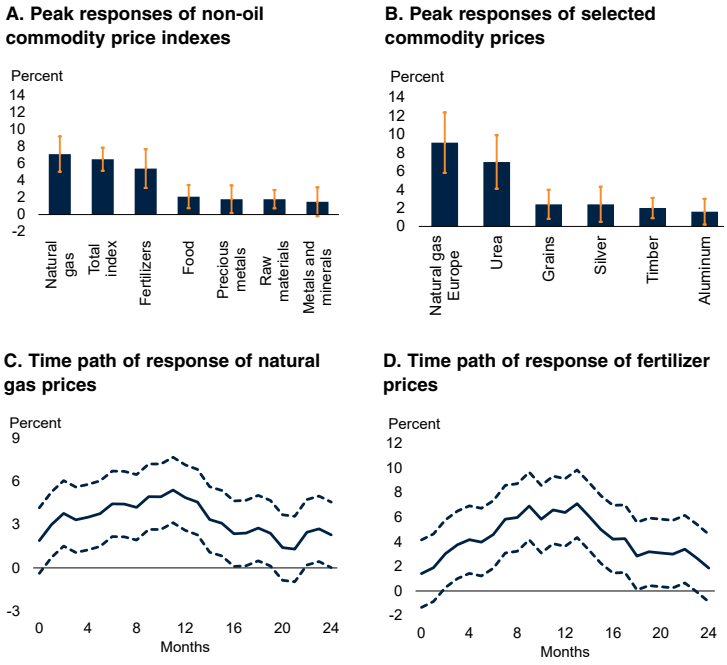
in one market naturally spill over to the other. Second, although the prevalence of oil-indexed pricing has declined, some natural gas contracts maintain explicit or implicit links to oil prices, creating a direct pricing channel. Third, substitution possibilities in energy use can reinforce co-movement: higher oil prices may increase the relative attractiveness of biofuels for transport or of natural gas and coal for heating, raising demand and prices for these commodities and, in the case of biofuels, for underlying agricultural inputs. Finally, energy prices (oil, natural gas, and coal, in different dimensions) exert broad cost-push pressures across the commodity complex. As a key input into transportation, processing, and the production of intermediate goods such as fertilizers and petrochemicals, higher energy costs raise marginal production costs in agriculture, metals, and other sectors, transmitting oil shocks broadly. Together, these channels generate both direct and indirect spillovers from oil prices to other commodity prices.

To examine empirically the links between geopolitical oil supply shocks to other commodity prices, impulse responses are estimated for seven commodity price indexes—the aggregate World Bank Group commodity price index, and subindexes for fertilizers, food, metals and minerals, natural gas, precious metals, and agricultural raw materials. Impulse responses are additionally estimated for six individual commodities—European natural gas, urea, grains, aluminum, silver, and timber—selected because of their relative importance in those indexes or as inputs into downstream production.

Geopolitical oil supply shocks have been associated with significant increases in several commodity prices. Oil-intensive commodities, such as natural gas and fertilizers, exhibit the largest price increases, reflecting their strong production complementarities and cost linkages with crude oil. At their peak, normalized to an increase in oil prices of 10 percent on impact, natural gas prices increase, on average, by about 7 percent, and fertilizer prices by slightly more than 5 percent (figures SF.4.A and SF.4.B). Within the natural gas index, European natural gas drives the price surges, with a peak response of more than 9 percent. This underscores Europe's relatively high reliance on gas imports and concomitant exposure to geopolitical energy market shocks. Other commodity groups and individual commodities—including the subindexes for food, agricultural raw materials, and precious metals—also show significant price responses to geopolitical oil supply shocks. Because energy is a key input into the production and transportation of many of these commodities, movements in oil prices are transmitted along the supply chain. However, these price responses have generally peaked at only around 2 percent, implying economically substantial knock-on impacts only in the case of large geopolitical oil shocks.

FIGURE SF.4 Spillovers from geopolitical oil supply shocks to other commodity markets

Oil-intensive commodities, such as natural gas and fertilizers, display the largest price responses to geopolitical oil supply shocks. This reflects strong input and cost linkages with crude oil markets and rapid pass-through along supply chains.



Source: World Bank.

A.B. Bars show the largest temporal price deviation across commodity markets following a 10 percent increase in oil prices produced by a geopolitical oil supply shock. Red whiskers indicate one-standard-deviation confidence bands. The 29 commodities included in the indexes are: aluminum, banana, beef, chicken, cocoa, copper, gold, groundnut oil, lamb, logs, natural gas (U.S. and Europe), nickel, orange, phosphate rock, platinum, potassium chloride, rubber, sawnwood, silver, soybean meal, sugar, tea, Thai rice, tin, tobacco, urea, wheat, and zinc.

C.D. Impulse responses of natural gas and fertilizer prices to a geopolitical oil supply shock normalized to raise the real price of oil by 10 percent on impact, with one-standard-deviation confidence bands (dotted lines).

The estimated time paths of the responses of natural gas and fertilizer prices are also illuminating, given large peak price impacts and the economic significance of these commodities. Price responses for both commodity types build over the year following the shock, peaking at 11 months after the shock for natural gas and at 12 months for fertilizers (figures SF.4.C and SF.4.D). Subsequent price declines similarly exhibit persistence, with prices remaining significantly elevated after 18 months and remaining above their initial levels for more than two years. The gradual nature of the responses following an oil price spike indicates the presence of transmission lags through production, contract structures, and input cost channels. It also underscores that the economic reverberations of large geopolitical oil supply shocks can last for some time, even if much of the initial jump in oil prices reverses relatively swiftly.

These findings are consistent with well-established evidence of substantial co-movement between oil prices and prices of oil-intensive or adjacent commodities. However, the estimates presented here also suggest that such commodity prices become significantly more responsive to oil prices during periods of rising geopolitical risk. On average, based on estimates from previous studies, the implied elasticities of natural gas and fertilizer prices with respect to oil prices are close to 50 percent larger following geopolitical oil supply shocks compared with during normal market conditions (Baffes 2007; Hasanli 2024; World Bank 2016, 2019, 2024).[7] This apparent amplification indicates that geopolitical oil supply shocks not only alter oil market dynamics but also intensify spillovers to other commodity markets, reinforcing cross-commodity linkages during periods of heightened uncertainty (Baffes 2007; Hasanli 2024; World Bank 2016, 2019, 2024).

[7] These studies estimate how commodity prices respond to reduced-form fluctuations in oil prices. With respect to fertilizers, Baffes (2007) finds a price response of 0.33 percent to a 1 percent increase in oil prices. For natural gas, Hasanli (2024) estimates an average price response of 0.44 percent (the author reports substantial variation across subsamples, with an estimated response of 0.76 percent for the 1997–2008 period and 0.12 percent for 2009–22).

Conclusions and policy implications

Oil supply shocks associated with geopolitical tensions differ systematically from other types of supply shocks, tending to be particularly disruptive to commodity markets. Declines in oil production associated with geopolitical supply shocks give rise to proportionally larger increases in oil prices than other supply shocks, and also generate sizable spillovers to the prices of other key commodities. After initial declines in inventories, geopolitical oil supply shocks have, on average, led to the accumulation of inventories in the medium term, to levels higher than those preceding the shock. It is likely that this medium-term inventory buildup, not seen with other supply shocks, is motivated by precautionary demand generated by increased uncertainty and risk aversion arising episodes of geopolitical turmoil.

Given that geopolitical shocks to oil prices tend to be comparatively severe, their macroeconomic consequences for growth, inflation, and poverty are also likely to be especially adverse. Their initial inflationary impacts are likely to be greater than those of other types of oil shocks, with a greater tendency to lead to tighter financial conditions, both by potentially inducing counter-inflationary monetary policies and by dampening investor sentiment generally. Challenging macroeconomic repercussions are likely to be particularly pronounced among oil-importing countries, where pressure on the terms of trade and sharp increases in import prices could lead to financial or fiscal destabilization. However, even oil exporters could face headwinds to growth given consumer price pressures, higher non-oil production costs, and weaker investor risk appetite, as well as disruptions to oil exports directly related to the shock.

The frequency of surges in geopolitical risk in the 2020s, coupled with the commodity market and macroeconomic implications of geopolitical shocks, has increased the need for policy action on several fronts. In particular, the case for energy-importing economies to proactively pursue policies to reduce exposure to commodity market disruptions has become stronger. Key priorities include

diversifying energy sources and suppliers, promoting energy efficiency, and developing domestic alternatives to energy imports. The declining costs of renewable energy technologies and storage solutions reinforce the case for expanding renewable electricity generation, helping to reduce geopolitical vulnerability as well as carbon emissions. When energy shocks occur, well-designed fuel pricing frameworks and targeted support for vulnerable households can help limit the pass-through of oil price spikes to domestic inflation and activity.

Oil exporters also face policy challenges associated with the increased frequency of geopolitical shocks. Volatility in export prices can complicate macroeconomic management and fiscal policy, underscoring the importance of countercyclical fiscal rules and prudent debt management to help smooth revenue volatility and support macroeconomic stability. Over the longer term, diversification of production, export destinations, suppliers of key inputs, and transport routes can reduce exposure to price shocks, geopolitical bottlenecks, and trade disruptions. In both oil exporters and importers, deep and transparent energy markets—with robust price information and effective hedging instruments—can help firms and governments manage price volatility (Baffes, Nagle, and Streifel 2026; World Bank 2025b).

Beyond oil markets, the implications of geopolitical supply shocks may increasingly affect a wide range of commodities. Markets for heavily traded commodities—such as liquefied natural gas, fertilizers, and critical minerals—are variously exposed to geopolitical tensions and supply concentration. In some cases, including many industrial metals, global inventories are thin compared with oil, amplifying the potential price and supply chain consequences of disruptions. As the shift away from coal in energy markets, the electrification of transport, and digitalization raise demand for these inputs, susceptibility to geopolitical shocks may evolve without diminishing. This underscores the need for policy efforts to identify and mitigate specific supply vulnerabilities while fostering deep and diversified markets for commodities of mounting importance.

Annex

High-frequency instrument. Following Känzig (2021), Pinchetti (2024), and related high-frequency identification approaches, the analysis uses daily data on oil futures prices to capture the immediate response of oil markets to surges in geopolitical risk. High-frequency data allow for a clearer separation between oil price movements driven by geopolitical developments and those driven by slower-moving macroeconomic factors.

A series of geopolitical oil price surprises is constructed by measuring oil price changes around days when the Geopolitical Risk Index increases sharply. Specifically, for the daily growth rate of the index, a threshold of two standard deviations from the mean (an increase in the index of close to 200 percent) is used to identify days of rising geopolitical tensions and compute the change in oil futures prices over a narrow event window surrounding these episodes (figure SF.1.B). The geopolitical oil price surprise series is defined as the log difference between the price of the one-month-ahead oil futures contract on the business day following the event and the business day preceding it.

One-month-ahead oil futures prices are used because they incorporate market expectations about future supply and demand conditions, storage costs, interest rates, and risk premia. The one-month maturity contract is selected because it provides a reliable measure of short-term oil price dynamics and has the longest available time series among short-horizon contracts. Given the high correlation of oil futures prices across maturities, the results are not sensitive to the specific contract choice.

Aggregation to monthly frequency. For the econometric analysis, the daily geopolitical oil price surprises are aggregated to the monthly frequency following the approach in Känzig (2021). The monthly measure is constructed as follows:

- When a single geopolitical risk event occurs within a month, the monthly surprise equals the corresponding daily surprise.

- When multiple events occur within the same month, the monthly surprise is defined as the sum of the daily surprises.
- When no event occurs, the monthly surprise is set to zero.

This aggregation preserves the timing and magnitude of geopolitical oil price shocks while allowing the analysis to be conducted at the monthly frequency commonly used in macroeconomic applications.

Econometric framework

Proxy SVAR model. The series of geopolitical oil price surprises is used as an external instrument in a structural vector autoregression (SVAR) framework to identify the effects and cross-market spillovers of a structural geopolitical oil supply shock. The analysis in the special focus is centered on the dynamic responses of a set of commodity market variables. The model also includes a vector of additional macroeconomic and financial control variables: world industrial production, measured using an extended version of the OECD's monthly industrial production index that covers OECD countries and six additional major economies, following Baumeister and Hamilton (2019); macroeconomic uncertainty, proxied by the index developed by Jurado, Ludvigson, and Ng (2015); financial uncertainty, proxied by corporate bond credit spreads, as constructed by Gilchrist and Zakrajšek (2012); and, finally, U.S. industrial production, the U.S. Consumer Price Index, and the yield on 10-year constant maturity U.S. Treasury securities (used as a measure of U.S. interest rates), all obtained from the Federal Reserve Economic Data database.

The identification strategy follows the external instrument (proxy SVAR) approach developed by Stock and Watson (2012) and Mertens and Ravn (2013). This approach exploits the fact that the geopolitical oil price shock series provides a relevant proxy for structural oil price shocks driven by geopolitical developments, while being orthogonal by construction to other structural shocks in the system.

This framework allows for the identification of the dynamic effects of geopolitical oil supply shocks without imposing restrictive contemporaneous zero or sign restrictions. It is therefore well suited for analyzing the transmission of oil price shocks originating from geopolitical developments, while rigorously controlling for macroeconomic variables.

Local projection methods. Once the geopolitical oil price shock is identified using the proxy SVAR framework, local projection methods are employed to extend the analysis to other commodity markets. Conditioning on an orthogonalized shock allows local projections to trace the dynamic responses of a wide range of variables without imposing additional cross-equation restrictions. This approach offers a flexible and transparent way to estimate impulse responses, is robust to potential misspecification of the underlying data-generating process, and is particularly well suited for capturing heterogeneous transmission patterns of geopolitical oil price shocks. The local projection model includes global industrial production and oil prices as control variables.[8]

[8] For further methodological details refer to Verduzco-Bustos and Zanetti (2026).

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The war in the Middle East represents a historic shock to commodity markets, resulting in the largest oil supply loss on record. Assuming the most acute phase of commodity trade disruptions ends shortly and shipping volumes gradually return to near prewar levels by October, average commodity prices are projected to rise by 16 percent in 2026—the first annual increase since 2022. With both oil and natural gas prices having soared amid supply shortfalls, average energy prices are forecast to increase by 24 percent in 2026. The Brent oil price is expected to average $86 per barrel, an upward revision of $26 since January. However, the supply shocks brought about by the war are broad-based. Prices for fertilizers are projected to soar, and prices of food commodities and base metals are also projected to increase. Average base metals and precious metals prices are both projected to reach all-time highs. Risks to the commodity price projections are tilted firmly toward higher prices. If disruptions in the Middle East prove more protracted or severe than assumed, the Brent oil price in 2026 could average $95 to $115 per barrel.

The Special Focus in this edition quantifies the effects of geopolitical oil supply shocks, as distinct from other sources of oil supply variation. It estimates that during times of surging geopolitical risk, a 1 percent reduction in oil production generates a peak oil price increase, on average, of more than 11 percent, nearly twice the increase reported in previous studies for oil supply shocks in general.

The World Bank Group's ***Commodity Markets Outlook*** is published twice a year, in April and October. The report provides detailed market analysis for major commodity groups, including energy, metals, agriculture, precious metals, and fertilizers. Price forecasts for 46 commodities are presented together with historical price data. Commodity price data updates are published separately at the beginning of each month.

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