Commodity Markets in the context of COVID-19: Developments, Outlook, and Risks
Commodities before and after COVID-19

Commodity markets
- Energy
- Base and precious metals
- Agriculture

Price forecasts and risks
Commodities before and after COVID-19

Commodity markets
  - Energy
  - Base and precious metals
  - Agriculture

Price forecasts and risks
## Commodities before and after COVID-19

<table>
<thead>
<tr>
<th></th>
<th>Before COVID-19</th>
<th>After COVID-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil price (US $/bbl), 2020 forecast</td>
<td>58</td>
<td>35</td>
</tr>
<tr>
<td>Oil demand growth for 2020 (mb/d), forecast</td>
<td>1.2</td>
<td>-9.3</td>
</tr>
<tr>
<td>Metal price change (%), 2019 to 2020, forecast</td>
<td>-1.4</td>
<td>-13.2</td>
</tr>
<tr>
<td>Gold (US $/toz), 2020 forecast</td>
<td>1,470</td>
<td>1,600</td>
</tr>
<tr>
<td>US dollar (index), actual</td>
<td>115.3</td>
<td>123.6</td>
</tr>
</tbody>
</table>

**Source:** World Bank, International Energy Agency, Federal Reserve Bank of St. Louis.

**Note:** Commodity price forecasts (*Commodity Markets Outlook*, October 2019 and April 2020). Oil demand growth comes from IEA’s January and April 2020 monthly report. US dollar represents the broad trade-weighted index for goods and services, January 2006 = 100 (DTWEXBGS), January and April 2020 averages.
Commodity price indexes were stable ... until COVID-19

US$ index, nominal terms, 2010 = 100

Source: World Bank
Note: Last observation is March 2020.
Where are commodity prices heading?

### TABLE 1 Nominal price indexes and forecast revisions

<table>
<thead>
<tr>
<th></th>
<th>Price Indexes (2010=100)$^1$</th>
<th>Change (%) $^{q/q}$ 2019Q4</th>
<th>Change (%) $^{y/y}$ 2020f $^2$</th>
<th>Forecast revision $^3$ 2020f 2021f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>68  87  76  45  54</td>
<td>1.7</td>
<td>-18.4</td>
<td>-40.3  18.9  -35.1  17.1</td>
</tr>
<tr>
<td>Non-Energy$^4$</td>
<td>84  85  82  78  79</td>
<td>1.9</td>
<td>-0.7</td>
<td>-5.1  2.5  -4.6  0.9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>87  87  83  82  84</td>
<td>4.1</td>
<td>1.2</td>
<td>-1.1  1.8  -0.9  -0.1</td>
</tr>
<tr>
<td>Beverages</td>
<td>83  79  76  72  74</td>
<td>5.1</td>
<td>-0.9</td>
<td>-5.3  2.3  -4.4  0.2</td>
</tr>
<tr>
<td>Food</td>
<td>90  90  87  87  88</td>
<td>4.9</td>
<td>1.5</td>
<td>-0.5  1.9  -1.2  2.1</td>
</tr>
<tr>
<td>Oils and meals</td>
<td>87  85  77  78  80</td>
<td>7.2</td>
<td>3.1</td>
<td>0.1  2.7  -1.8  5.2</td>
</tr>
<tr>
<td>Grains</td>
<td>81  89  89  88  89</td>
<td>0.8</td>
<td>4.4</td>
<td>-1.5  1.8  -1.6  0.4</td>
</tr>
<tr>
<td>Other food</td>
<td>102 99  98  97  98</td>
<td>6.0</td>
<td>-2.5</td>
<td>-0.4  0.9  0.0  0.2</td>
</tr>
<tr>
<td>Raw Materials</td>
<td>81  81  78  77  79</td>
<td>1.2</td>
<td>1.6</td>
<td>-0.8  1.6  -5.3  0.3</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>74  82  81  73  76</td>
<td>-7.0</td>
<td>-4.5</td>
<td>-9.9  3.1  -12.9  1.0</td>
</tr>
<tr>
<td>Metals and Minerals</td>
<td>78  83  78  68  71</td>
<td>-1.8</td>
<td>-4.7</td>
<td>-13.2  4.0  -11.6  2.9</td>
</tr>
<tr>
<td>Precious Metals</td>
<td>98  97  105  119  119</td>
<td>0.7</td>
<td>5.4</td>
<td>13.2  -0.3  7.7  0.7</td>
</tr>
<tr>
<td><strong>Memorandum items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil ($/bbl)$^5$</td>
<td>53  68  61  35  42</td>
<td>1.0</td>
<td>-18.7</td>
<td>-43.0  20.0  -37.5  18.1</td>
</tr>
<tr>
<td>Gold ($/oz)</td>
<td>1,258 1,269 1,392 1,600 1,590</td>
<td>0.5</td>
<td>6.9</td>
<td>14.9  -0.6  9.3  0.6</td>
</tr>
</tbody>
</table>


Note: (1) Numbers may differ from tables A.1-4 due to rounding. (2) "f" denotes forecasts. (3) Denotes percentage points revision to the growth forecasts from the October 2019 report. (4) The non-energy price index excludes precious metals. (5) Average of Brent, Dubai and WTI. See Appendix C for definitions of prices and indexes.
Commodities before and after COVID-19

Commodity markets
  - Energy
  - Base and precious metals
  - Agriculture

Price forecasts and risks
January 20
COVID-19 human-to-human transmission confirmed

March 6
OPEC+ fail to agree on cuts

April 13
OPEC+ agree to new cuts

Source: Bloomberg and World Bank
Note: Last observation is April 27 (Brent) and April 21 (WTI).
Oil prices since 2011

$ US/bbl, nominal

Source: World Bank
Note: Last observation is April 2019 (as of April 27).
Oil demand is plunging

**Plunges in global oil demand**

![Bar chart showing percentage changes in oil demand from 1974 to 2020F. The 2020 figure is the average of IEA (April 11) and Rystad Energy (April 29) forecast. Other analysts reported lower case scenarios for 2020 at -15 percent.]

**Traveler journeys in the U.S.**

![Line chart showing traveler journeys in the U.S. from March 2001 to April 2012. The chart compares 2020 and 2019.]


**Notes:** Oil demand for 2020 is average IEA/Rystad Energy. Transport Security Administration checkpoint travel numbers for the United States.
Market and policy responses to the oil price collapse

Rig count in the U.S.

Source: Baker Hughes
Note: Last observation for the rig count is April 24, 2020.

Reaction by OPEC+, G20, and others

⇒ OPEC+ met reached a production agreement in April that included cuts of 9.7 mb/d in May and June 2020, reducing to 7.7mb/d from Jul 2020 to December 2020, and 5.8 mb/d from January 2021 to April 2022.

⇒ At a G20 meeting, other countries, including the United States and Canada, pledged to help support the oil market through market-driven cuts.

⇒ Several governments announced purchases of additional oil to fill their strategic reserves.

⇒ Norway announced on that it would reduce oil production by 0.25 mb/d in June and -.13 mb/d for the rest of 2020.
Real oil prices: 1965-2020

US$/bbl, deflated by U.S. CPI (Jan 2020 = 1.00)

Note: Price represents the average Brent, Dubai, and WTI. Last observation is April 2020 (as of April 23). Shaded areas denote large price declines, which prompted OPEC to engage in significant production cuts.
Shares of world’s top three oil producers

Notes: Last of observation is 2019.
OPEC and OPEC+ shares

Note: Non-OPEC (1998) includes Norway, Mexico, Oman and Russia. Non-OPEC (2016) includes Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, Sudan, and South Sudan. U.S. + Canada (2020) offered to contribute to production reductions through market and voluntary contractions. Shares of 2020 are as of April 2020.
All energy prices are experiencing declines

Note: Crude oil is the average of Brent, Dubai, and WTI. Last observation is March 2020.
Outline

- Commodities before and after COVID-19
- Commodity markets
  - Energy
  - Base and precious metals
  - Agriculture
- Price forecasts and risks
Moderate declines in metals prices

Source: World Bank

Note: Last observation is March 2020. The base metals price index include aluminum, copper, lead, nickel, tin, and zinc.
Precious metals prices: Diverging trends

Source: World Bank
Note: Last observation is March 2020.
Commodities before and after COVID-19

Commodity markets
  - Energy
  - Base and precious metals
  - Agriculture

Price forecasts and risks
Agricultural prices have been broadly stable

Note: Last observation is March 2020. The shaded area highlights the relative stability of most agricultural price during the past 6 years.
Stock-to-use ratios point to ample supplies

Notes: The aggregate stocks-to-use ratio (right panel) comprises of 12 grains and edible oils and has been aggregated according to calorific content. Years denote crop seasons (i.e. 2019 is for the 2019-20 crop season).
Commodities before and after COVID-19

Commodity markets
- Energy
- Base and precious metals
- Agriculture

Price forecasts and risks

Note: Lines (left panel) indicate oil prices for 12 months before and after the trough, indexed to 100 at the trough.
Where are commodity prices heading in the long term?

Note: The period 2020-30 refers to forecasts.
The forecasts are subject to the numerous risks, which are predominately to the downside. The include:

- **Energy and metals:** A slower end to the pandemic that could lead to much lower demand than currently forecast, as well as a deeper-than-expected slow-down in the global economy, in turn leading to lower prices.

- **Agriculture:** Direction of energy and fertilizer prices (important inputs to grains and oilseeds); biofuel consumption; further appreciation of the US dollar or currency movements of certain major exporters; changes to trade and domestic support policies; and further disruption in supply chains. At a regional level, the outbreak of locust disease in Africa poses severe food security problems.
Global Economic Prospects
Slow Growth, Policy Challenges

Overview

Global growth is projected at 3.5 percent in 2020, just above the post-crisis low registered last year. While growth could be stronger if reduced trade tensions mitigate uncertainty, the balance of risks is to the downside. A steep productivity growth slowdown has been underway in emerging and developing economies since the global financial crisis, despite the largest, fastest, and most broad-based accumulation of debt since the 1970s. These circumstances add urgency to the need to rebuild macroeconomic policy space and undertake reforms to rekindle productivity.