HWWI Commodity Price Index declined in October

**Marginal decline in crude oil prices**

- HWWI overall index fell by 1.8 % (US dollar basis)
- Crude oil price fell by 3.6 %
- Food and beverages index increased by 3.8 %

(Hamburg, November 8, 2019) In October, the HWWI Commodity Price Index fell by an average of 1.8 % (in Euro: -2.2 %) compared to the previous month and featured a value of 108.4 points (in Euro: 108.8 points). The decline of the HWWI Commodity Price Index was mainly due to a decrease in the prices for crude oil and industrial raw materials. The sub-indices showed opposing price trends in October. While the indices for industrial and energy raw materials fell in October, the index for food and beverages rose significantly compared to the previous month. The index for energy raw materials fell by 2.1 % (in Euro: -2.5 %) to 108.5 points (in Euro: 108.8 points) and the index of industrial raw materials by 1.4 % (in Euro: -1.9 %) to 120.6 points (in Euro: 121.1 points). Conversely, the index for food and beverages increased by 3.8 % (in Euro: +3.3 %) and featured a value of 89.5 points (in Euro: 89.8 points). The index excluding energy remained almost unchanged and increased by only 0.3 % (in Euro: -0.2 %) to 107.9 points (in Euro: 108.3 points).

**Index for energy raw materials: -2.1 % (in Euro: -2.5 %)**

Despite the attack on an Iranian oil tanker in the Red Sea on 10th of October and the growing tensions between Iran and Saudi Arabia, crude oil prices declined in October compared with the previous month. Since the oil market is characterized by an oversupply of crude oil, the price of crude oil only rose briefly after the oil tanker attack and dropped again. Additionally, the decline in the global economy is still depressing crude oil prices. The continuing trade dispute between China and the US, which is still inhibiting the global economy, has also dampened the demand for crude oil in the last month. The prices of all three types of crude oil (Brent, WTI, Dubai) included in the Crude Oil Sub-Index fell in October compared to the previous month. **Overall, the sub-index for crude oil fell by 3.6 % (in Euro: -4.1 %).**

In contrast to the crude oil price index, the index for natural gas rose by a monthly average of 7.5 % (in Euro: +6.9 %). The upward trend in European natural gas prices has continued in October with an average price increase of 29 % (in Euro: +28.3 %) compared to the previous month. Falling temperatures in Europe led to a surge in the European gas consumption, and therefore to an increase in the price of European natural gas.
gas. In addition, the production of natural gas in European countries is stagnating. Recently, the UK has stopped the controversial natural gas fracking, which has cut the production and pushed up natural gas prices. By contrast, the price of US natural gas fell in October reflecting high US natural gas inventories. The natural gas production through fracking is growing steadily in the US.

Coal prices rose in October compared to the previous month, that is shown by an increase of 3.6 % (in Euro: +3.1 %) of the coal index. Overall, the sub-index of energy raw materials fell by 2.1% (in Euro: -2.5 %) due to the price decline in the crude oil market.

**Index for industrial raw materials: -1.4 % (in Euro: -1.9 %)**

The sub-index for industrial raw materials is subdivided into the index for agricultural raw materials, the index for non-ferrous metals as well as the index for iron ore and steel scrap. The sub-index for industrial raw materials fell slightly in October, mainly due to the continuing price decline in the iron ore and steel scrap markets. Due to a decline in the global steel production, triggered by the global economic slump, the iron ore and steel scrap index fell by 3.1 % (in Euro: -3.5 %) compared to the previous month.

The indices for agricultural industrial raw materials and non-ferrous metals changed only marginally compared to the previous month. Price increases for lead and zinc were offset by price reductions for aluminium, nickel and tin. The lead price rose because of an unexpected shortage of supply. The rise in zinc prices, which was due to low inventories, has exceeded the price pressure caused by the poor economic outlook. Overall, the monthly average for industrial raw materials fell by 1.4 % (in Euro: -1.9 %) to 120.6 points (in Euro: 121.1 points).

**Index for food and beverages: +3.8 % (in Euro: +3.3 %)**

Prices for food and beverages have increased significantly on a monthly average. The sub-index for luxury food showed an average increase of 2.5 % (in Euro: +2.0 %) in October, which was mainly due to price surges in the markets for sugar and cocoa. The price of sugar increased because the harvest expectations of the main growing regions in Brazil have been revised downwards. In addition, the share of sugarcane used in the ethanol production is growing in Brazil, which in turn reduces the supply of sugar. Moreover, India also had to correct their expected harvest, due to monsoon-induced floods of the cultivation areas.

The sub-indices for grains also increased by 5.4 % (in Euro: +4.9 %) and for oilseeds and oils by 4.0 % (in Euro: +3.5 %) on a monthly average. The onset of winter in the US growing regions of corn has reduced the harvest expectations and lead to a surge in corn prices. Also, the announcement by the US government that oil refineries will be obliged to add corn-based ethanol to gasoline has triggered an increase of the demand of corn. In particular, the rapprochement of the US and China in the trade war has caused price surges in the markets for soybean and soybean. The interim trade agreement will enable China to import agricultural products, especially soybeans, from the USA. Overall, the monthly average for food and beverages increased by 3.8 % (in Euro: + 3.3 %) and stood at 89.5 points (in Euro: 89.8 points).
The HWWI Commodity Price Index is a comprehensive, weekly calculated indicator of price developments in world commodity markets, which includes the major internationally traded commodities. Since 1960, the HWWI Commodity Price Index measures the price changes in the raw material import calculation of the industrialized countries and is thus an indicator for the cost development of imported raw materials and serves among other things central banks, research institutes and international institutions for their analyses.