By
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Energy prices increased in November

HWWI- Commodity Price Index rises in November

- Overall HWWI index rose 4.5 % (US dollar basis)
- Crude oil price rose 4.9%
- Index for food and beverages rose by 3.0%

(Hamburg, December 18, 2019) The HWWI commodity price index rose by an average of 4.5 % (in Euros: +4.5 %) in November compared to the previous month and featured a value of 113.2 points (in Euros: 113.7 points). This development is explained by an increase in the prices for energy and for food and beverages. The index for energy rose by 5.2 % (in Euro: + 5.3 %) to 114.1 points (in Euro: 114.6 points) and the index for food and beverages increased by 3.0 % (in Euro: +3.1 %) to 92.2 points (in Euro: 92.6 points). By contrast, the sub-index of industrial raw materials fell by an average of 1.9 % (-1.9 % in Euro) to 118.3 points (in Euro: 118.8 points). The index excluding energy remained almost unchanged, showing only a slight decline by 0.2 % (in Euro: -0.2 %) to 107.6 points (in Euro: 108.1 points).

Index for energy raw materials: +5.2 % (in Euro: +5.3 %)

After crude oil prices fell slightly in October, prices of all three types of crude oil (Brent, WTI, Dubai) included in the energy index rose on average in November. The surge in crude oil prices reflected the expectations of market participants regarding the OPEC+ meeting in the first week of December. At this meeting, the OPEC+ want to discuss to deepen production cuts. The prospect of further production cuts drove crude oil prices already in November.

The natural gas index, which reflects changes in both US and UK natural gas prices, also rose by an average of 7.4 % in November (in Euro: +7.5 %). The onset of winter in large parts of the US led to an increase in the natural gas demand and thus to a rise in natural gas prices. The upward trend in European natural gas prices also continued in November. The falling temperatures have increased the European natural gas consumption and lead to a price surge in the market for European natural gas.

The coal index, which includes the prices for Australian and South African coal, rose on average by 2.5 % in November (in Euro: 2.6 %). While prices for Australian coal remained unchanged, the price of South African coal rose sharply in the last month. However, the price increase in the South African Coal market cannot be explained by changes in the fundamentals, i.e. in those factors that affect demand or supply of the physical commodity. There was neither a decrease in the coal supply, nor did the demand for coal increase
significantly. Accordingly, only financial traders and their trading activities can be considered as drivers of the South African coal price.

Overall, the sub-index of energy raw materials rose on average by 5.2 % (in Euro: +5.3 %) to 114.1 points (in Euro: 114.6 points) due to the price increases in the markets for coal, natural gas and crude oil.

Industrial raw materials index: -1.9 % (in Euro: -1.9 %)

The sub-index for industrial raw materials can be divided into the index for agricultural raw materials, the index for non-ferrous metals and the index for iron ore and steel scrap. The sub-index for industrial raw materials continued to decline in November, which can be explained by the strong price reductions in the markets for iron ore and steel scrap. The continuing decline in the global steel production, due to the sluggish global economy, led to falling prices in the iron ore and steel scrap markets in November. The index for iron ore and steel scrap fell on average by 7.9 % in November (in Euro: -7.8 %) compared to the previous month. In addition, China, the world’s largest steel producer, reduced its steel production during the winter months.

The index for non-ferrous metals remained almost unchanged in November due to the opposing development of the included non-ferrous metals. While the prices for aluminium and copper rose slightly, the prices for nickel and lead fell on average.

The index for agricultural raw materials rose on average by 3.3 % (in Euro: +3.4 %) due to a price increase in the rubber market. The increase in the rubber price might be related to the fact that Thailand, as the largest rubber producer, plans to downsize the rubber production to raise their export prices.

Overall, the index for industrial raw materials fell on average by 1.9 % (in Euro: -1.9 %) to 118.3 points (in Euro: 118.8 points).

Food and beverages index: +3.0 % (in Euro: +3.1 %)

In November, prices for food and beverages continued to rise. The sub-index for luxury foods showed an average increase of 7.1 % (in Euro: +7.2 %) compared to the previous month, which can be explained by an increase in the price of coffee. The significant increase in coffee prices is, among other things, due to the poor coffee harvest in Honduras due to unfavourable weather conditions. In addition, there is a growing threat to the global coffee harvest from a rust fungus (coffee rust), which also drives coffee prices. In addition, unfavourable weather conditions in the Brazilian coffee growing regions caused a decline in the coffee supply.

The sub-index for oilseeds and oils also rose by 2.2 % (in Euro: 2.3 %) on a monthly average. The increase in the sub-index is mainly due to price increases in the markets for coconut oil and palm oil. As palm oil is increasingly used to produce biodiesel, the demand for palm oil continued to increase in November. In addition, the harvest in Indonesia was reduced due to drought, which lead to a rise in the price of palm oil. Prices for soybeans and soybean meal which rose in October due to the announcement of a partial agreement
between the United States and China in the trade war, fell again in November because the signature of the agreement has been postponed. Among other things, the partial agreement intends to enable China to import agricultural products from the United States. The delays in the rapprochement between China and the US also led to price reductions in the markets for cereals. The sub-index for cereals fell in November by 1.9 % (in Euros: -1.9 %) compared to the previous month.

*Overall, the index for food and beverages rose on average by 3.0 % (in Euro: +3.1 %) to 92.2 points (in Euro: 92.6 points).*

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*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.*