

by  
**HWWI Consult GmbH**

In October, the HWWI Commodity Price Index went slightly up  
**Strong US dollar damping commodity prices**

- **HWWI overall index increased by 1.6% (US dollar base).**
- **On monthly average, crude oil price rose by 1.3%.**
- **Food and beverage prices rose by 5.0%.**

(Hamburg, November 13, 2018) In October, the HWWI Commodity Price Index rose again, having risen significantly (sharply) in September. The HWWI's total index rose by 1.6% (in Euro: +3.1%), to 142.6 points (in Euro: 137.8 points). Strong price increases could be registered for the beverages. The sub-index for food and beverages rose most strongly by 5.0% (in Euro: 6.6%) after having fallen in recent months. The rise in the index for energy commodities was comparatively low at 1.6% (in Euro: +3.1%), with crude oil only rising by 1.3% on a monthly average (in Euro: +2.9%). The index for industrial raw materials dropped once again, the fourth month in a row. However, the price decline was very moderate at 0.3% (in Euro: +1.2%) and was much lower than in the previous months. This could have stopped the negative price trend in the industrial commodity markets. The index excluding energy rose by 1.5% (in Euro: +3.0%) to 108.4 points (in Euro: 104.8 points). US policies and the strong US dollar influenced the pricing in commodity markets in October.

**Index for energy commodities: 1.6% (in Euro: +3.1%)**

In October, the price of crude oil rose by a monthly average of 1.3% (in Euro: +2.9%) to average USD 76.86 (in Euro: 66.93) per barrel. In the Middle East the US sanctions continue to weigh on the crude oil offer. The sanctions against Iran are expected to become effective in November. This could increase the monthly average price of crude oil from the Middle East. Dubai rose by 1.7% (in Euro: +3.3%) compared to the previous month. On five days in October, the price for a barrel of Dubai crude oil was above the price of a barrel of Brent crude oil. This price trend reflects the tense situation in the Middle East as Brent has long been considered the most expensive of the three crude oil types. The price of the European crude oil Brent rose in October by an average of 1.5% (in Euro: +3.1%). The price increase for US West Texas Intermediate (WTI) crude oil was 0.7% (in Euro: +2.2%). Therefore, the price increase of WTI was repeatedly the lowest of the three types of crude oil. The US also increased crude oil volumes to record levels. Other currencies, particularly those

of emerging and developing countries, also devalued against the US dollar at the end of September following the latest US interest rate hike by the Federal Reserve Bank (FED). This relatively strong US dollar makes crude oil imports more expensive and thus has a dampening effect on global crude oil demand. The relatively high supply and weakening global demand allowed crude oil prices to rise only moderately in October, despite US sanctions on Iran, which will limit global supply of crude oil.

In October, the price of natural gas rose on average for the month by 4.0% (in Euro: +5.6%). After the price of European natural gas had significantly risen in September, it rose only slightly by 0.7% (in Euro: + 2.3%) in October. By contrast, the price of American natural gas rose notably by 8.2% (in EUR: + 9.9%). The start of the heating season and low stock levels were responsible for this sharp rise. Coal prices were down by an average of 2.5% (in Euro: -1.0%). Overall, the index for energy commodities increased by 1.6% (in Euro: 3.1%) to 148.1 points (in Euro: 143.1 points).

#### **Index for industrial raw materials: -0.3% (in Euro: +1.2%)**

The index for industrial raw materials is subdivided into the sub-indices: agricultural raw materials, non-ferrous metals and iron ore as well as steel scrap. The index for agricultural raw materials dropped by 7.8% (in Euro: -6.3%). Lumber is included as a raw material in the index for agricultural raw materials and was particularly low on average for the month at -24.7% (in Euro: -23.6%). The price for wool has fallen by 6.8% (in Euro: -5.4%). A sharp jump in export volumes from New Zealand, Uruguay, Argentina and South Africa decreased the price for wool. The non-ferrous metals index rose by 1.3% (in Euro: + 2.9%), breaking the negative trend of recent months. Monthly average prices for the non-ferrous metals listed in the index developed differently. Lead lost 2.2% (in Euro: -0.7) and the nickel price fell 1.6% (in Euro: -0.1%). By contrast, rising prices for aluminum, copper, tin and zinc were observed. The price of aluminum rose by an extremely modest 0.3% (in Euro: + 1.8%) and tin rose by 0.7% (in Euro: +2.3%). The price of copper rose by 3.2% (in Euro: + 4.8%). With a significant price increase of 9.8% (in Euro: +11.5%), zinc is the non-ferrous metal which rose the most in October. The iron ore and scrap steel index continued its upward movement by 3.5% (in Euro: + 5.1%). Overall, the index for industrial raw materials fell only by 0.3% (in Euro: + 1.2%) to 119.9 points (in Euro: 115.9 points) and thus remained almost at the level of the previous month.

#### **Index for food and beverages: 5.0% (in Euro: +6.6%)**

In October, the index for food and beverages increased for the first time since May of this year. Brazil is the main producer of sugar, India follows in second place. Sugar rose by an average of 22.8% in October (in Euro: +24.7%) due to reports of adverse weather conditions. A prolonged dry spell in Brazil and floods in the monsoon season in India and Indonesia lead to lower crop yields. Furthermore, the price of coffee rose significantly after rather falling prices were observed in recent months. Coffee increased on average by 13.6% (in Euro: + 15.4%). Brazil is also the world's largest coffee exporter. The Brazilian real revalued against the US dollar in October, and so the price for importing coffee from Brazil increased. The cocoa price fell 2.5% on a



monthly average (-1.0% in Euros), after rising in September. Overall, the index for food and beverages rose by 5.0% (in Euro: +6.6%) to 91.9 points (in Euro: 88.8 points).

(6,061 Signs)

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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.*