

By
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HWWI commodity price index continues to rise

Crude oil prices extend upward trend

- HWWI commodity price index increases by 18.7 % (US dollar base)
- Crude oil prices rise by 27.3 %
- 1.3 % increase on the markets for food and beverages

(Hamburg, July 21, 2020) The recovery of the HWWI commodity price index after the decline caused by the Corona crisis continued in June. The HWWI commodity price index increased by an average of 18.7 % (euro base: +14.9 %) compared with the previous month and now stands at 77.5 points (euro base: 76.4 points). In particular, crude oil prices rose sharply. The sub-index for energy raw materials increased by 21.9 % (euro base: +18.1 %) to 72.7 points (euro base: 71.7 points). The index for industrial raw materials also rose by 9.3 % (euro base: +5.9 %) to 120.8 points (euro base: 119.2 points) and the index for food and beverages rose slightly by 1.3 % (euro base: -1.9 %) to 88.1 points (euro base: 86.8 points). Thus, the index excluding energy increased on average by 6.5 % (euro base: +3.1 %) and now stands at 107.4 points (euro base: 105.9 points).

Index for energy raw materials: +21.9 % (euro base: +18.1 %)

As in the previous month, crude oil prices rose sharply in June after the losses in the first months of the year. The prices of the three types of crude oil listed in the HWWI commodity price index increased by an average of 27.3 % (euro base: +23.4 %) and now stands at USD 40.00 per barrel. However, prices are still significantly below the level of the previous year.

On the one hand, prices were driven by the current positive economic data from China and Europe and optimistic forecasts of a further recovery in demand in the second half of the year. On the other hand, oil production in OPEC countries fell to its lowest level in almost 30 years. OPEC+ countries implemented the production cuts of 9.7 million barrels per day according to their agreement in April. However, the positive price development continues to be slowed by the Corona crisis and the related uncertainties.

In comparison, coal prices rose slightly. Production remains at a high level in Indonesia and Australia, while demand in the largest importing countries China and India is recovering slowly. Natural gas markets show the development typical for the summer months. On average, prices fell by more than 5 %. After a soft winter, the natural gas reserves are well filled. In addition, demand from energy suppliers has fallen in the last months, leading to an oversupply. In conjunction with the seasonal development, a longer-term trend is also visible. Compared to the same month last year, the price of British natural gas fell by more than half.

Overall, the sub-index for energy raw materials rose by 21.9 % (euro base: 18.1 %) to 72.7 points (euro base: 71.7 points).

Industrial raw materials index: +9.3 % (Euro base: +5.9 %)

The sub-index for industrial raw materials is divided into the index for agricultural raw materials, the index for non-ferrous metals and the index for iron ore and steel scrap. As in May, prices for industrial raw materials continued to rise in June, reflecting the recovery of Chinese industry and the prospect of worldwide state-financed infrastructure projects as measures against the corona crisis.

In particular, Chinese steel production increased and caused the prices for iron ore to rise significantly. A similar development with higher prices can also be observed on the markets for non-ferrous metals, with copper especially becoming significantly more expensive. In addition to increased demand, reduced supply is also affecting the price. As a result of strict hygiene measures in the copper mines in Chile, which accounts for approximately one quarter of global copper mining, production is expected to decline by 3.5 % in 2020.

The index for agricultural commodities continued its rise. As the Chinese textile industry is ramping up production again after easing Corona-related restrictions, demand for cotton increased and prices rose correspondingly.

Overall, the index for industrial raw materials rose by 9.3 % (euro base: +5.9 %) to 120.8 points (euro base: 119.2 points) on a monthly average.

Food and beverages index: +1.3 % (euro base: -1.9 %)

The index for food and beverages increased slightly in June. The prices of all oilseeds and oils listed in the index rose, while the prices of cereals and luxury foods followed no clear trend.

The prices for soybeans and palm oil benefit from two factors. In addition to higher soybean exports from the USA to China and the slow lifting of lockdown measures in the USA and Europe, the increased price of crude oil makes biodiesel from oilseeds again a lucrative alternative to conventional petroleum products. In contrast, prices for coffee and cocoa declined. Low demand for both of these luxury foods and optimistic harvest prospects in the main producing countries Brazil and Ivory Coast lower the prices. Furthermore, the lockdown and a rainy June reduced the tea harvest in India and drove up the price. The price of wheat fell for the second month in a row. Before the upcoming harvest, traders are selling their old stocks to create new storage capacity. In addition, a higher global yield is expected for the forthcoming harvest period.

Overall, the index for food and beverages rose by 1.3 % (euro base: -1.9 %) on a monthly average to 88.1 points (euro base: 86.8 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.