

**By  
HWWI Consult GmbH**

HWWI commodity price index falls in September

## **Renewed decline in crude oil prices**

- **HWWI overall index fell by 2.0% (US dollar basis)**
- **Crude oil prices fell by 6.5 %**
- **Prices for food and beverages increased by 6.2 %**

**(Hamburg, October 20, 2020) In September, the worldwide increase in new corona infections led to an increase in uncertainty on the international commodity markets. The HWWI commodity price index did not continue its upward trend and thus reflected the development of crude oil prices. Prices on the crude oil markets fell due to growing fears that a second lockdown could lead to a renewed slump in demand for crude oil. On the markets for industrial raw materials, the rising price trend continued in September but was also dampened by the rising corona infection rate and the increased probability of further lockdown measures. By contrast, significant price increases could be observed on the markets for food and beverages. The rise in Chinese import demand in particular increased prices on the grain markets.**

### **Index for energy raw materials: -3.7 % (Euro basis: -3.4 %)**

The upward trend on the crude oil markets did not continue in the first half of September and prices for all three types of crude oil included in the index fell below the USD 40 per Barrel mark. The decline in prices on the crude oil markets can be explained by the worldwide increase in new corona infections. The renewed rise in the number of infections increases uncertainty in the markets as well as the probability of a further lockdown, which would again slow down global economic activity and reduce demand for crude oil. In the second half of the month, however, Hurricane Sally, which hit the US Gulf Coast, led to production shortfalls in US crude oil production, thus reducing the supply of crude oil. The shortage of supply temporarily boosted the crude oil price. In addition, Saudi Arabia, as leader of OPEC+, tried to stabilize oil prices. Saudi Arabia appealed to the OPEC+ members, who had not adhered to the agreed production cuts in recent months, to produce less crude oil in the coming months in order to catch up on the cuts. In mid-September, the fall in US crude oil inventories and the intervention of the OPEC+ leader led to a renewed increase in crude oil prices. On average, however, the price of crude oil fell in September compared with the previous month.

Triggered by the announcement of the US energy authority (EIA) that US natural gas inventories were higher than expected, the price of US natural gas fell slightly in September compared with the previous month. In contrast, the European natural gas price rose on average in September compared with the previous month. The prices for Australian and South African coal rose in September. Nevertheless, the price for Australian coal still remains

far below the price in September last year. Demand for Australian coal from the major importing countries Japan and South Korea, among others, is continuing to depress prices and remains at a low level due to the slowdown in economic activity caused by the corona pandemic.

*Overall, the sub-index for energy commodities fell by 3.7% (Euro basis: -3.4%) to 79.3 points (Euro basis: 74.6 points).*

### **Index for industrial raw materials: +5.2% (Euro basis: +5.5%)**

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.

On the markets for industrial metals, the upward trend in prices continued in September but slowed down compared to the previous month. An exception was the price for lead, which fell slightly on a monthly average. The dampening of the rise in industrial metal prices also reflected the increasing uncertainty on the markets, caused by the steadily rising number of new corona infections in Europe and the USA. However, the prices for iron ore and steel scrap continued to rise significantly in September with Chinese steel production increasing. On the one hand, this can be explained by the Chinese economic stimulus programs, which continue to increase demand for steel. On the other hand, the upcoming Chinese national holiday on October 1 and the subsequent one-week vacation led to concerns about delivery delays, as many Chinese companies and also Chinese ports will be closed during the holidays. Steel stocks were therefore replenished in September to avoid bottlenecks in early October. Increased demand for steel scrap and iron ore drove up prices in September.

Wool prices also declined in September as increasing infection rates in Europe, the USA and India continued to keep demand for Australian wool low. The textile industry has been suffering severely from the effects of the corona pandemic since the beginning of the year and has not yet been able to recover. In September, wool prices were more than 30% lower than in the previous year.

*Overall, the index for industrial raw materials rose by 5.2 % (euro basis: +5.5 %) on a monthly average to 148.6 points (euro basis: 139.9 points).*

### **Index for food and beverages: +6.2 % (Euro basis: +6.6 %)**

In September, prices for food and beverages rose significantly. In particular, prices for wheat, soybeans and corn rose sharply, reflecting increased demand from China. Flooding in China's grain regions led to a decline in Chinese supply and thus to increased demand for imports from China. In addition, the Chinese meat industry increasingly recovered from African swine fever, which led to an increase in Chinese demand for corn and soybeans as animal feed. Prices for vegetable oils also rose on average compared with the previous month. Since the loosening of the global corona restrictions, prices for vegetable oils have risen as demand for biofuel has increased again. However, the renewed introduction of lockdown measures and a further increase in crude oil prices would counteract this development in the future. The price of sunflower oil rose particularly sharply in September, showing a 15 % increase compared with the previous month. Compared with the previous year, the price of sunflower oil even rose by almost 27 %. In addition to grain and vegetable



oil prices, prices for coffee and cocoa also rose in September. Coffee prices rose slightly in September as unfavourable weather prospects in Brazil dampened harvest expectations for the coming year. The increase in cocoa prices is due to expectations of future price increases by the largest producing countries, Ghana and the Ivory Coast. These two producing countries plan to levy a premium on cocoa prices from October onwards to enable cocoa farmers to achieve higher prices. While the vast majority of commodity prices from the food and beverage segment rose, the price of sugar fell in September compared to the previous month.

*Overall, the index for food and beverages rose by +6.2% on a monthly average (euro basis: +6.6%) to 99.2 points (euro basis: 93.3 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.*