

by  
**HWWI Consult GmbH**

HWWI Commodity Price Index rose in December

## **Natural gas prices rise sharply again**

- **HWWI overall index rose by 5.3% (US dollar basis)**
- **Crude oil prices fell by 7.9%**
- **Natural gas prices rose by 22.3%**

**(Hamburg, January 11, 2022) The HWWI commodity price index rose by an average of 5.3% in December compared to the previous month. All three sub-indices of the HWWI Commodity Price Index, the index for energy commodities, the index for industrial commodities and the index for food and beverages increased on average for the month. The prices included in the index for energy commodities developed in the opposite direction. Prices for natural gas and coal continued to rise strongly in December, while crude oil prices recorded losses. In the markets for industrial raw materials, prices for iron ore and sawn timber in particular rose strongly. Prices for food and beverages also rose slightly in December compared to the previous month, as the price of coffee, for example, continued its month-long upward trend.**

**Index for energy commodities: +5.7% (euro basis: +6.8%)**

Crude oil prices continued to fall on average in December, reflecting uncertainty in the crude oil market regarding rising Corona infections worldwide and thus expectations of falling demand on the one hand, and rising supply on the other. The monthly average price for the European reference grade Brent was US\$ 74.91 per barrel and for the US reference grade WTI US\$ 71.76 per barrel. Crude oil supply was strengthened from three sides in December. Firstly, despite low prices, OPEC+ is sticking to its monthly gradual lifting of production cuts and increased daily production by a further 400,000 barrels in December as planned. In addition, the US government brought crude oil from state reserves onto the market and thirdly, US producers expanded production as high crude oil prices in the autumn made shale oil production look lucrative again. The global spread of the omicron variety, on the other hand, increased uncertainty about the development of crude oil demand. Lockdown measures and a deterioration of the global economy could cause demand for crude oil to slump again in the future.

In contrast to crude oil prices, coal prices increased on average in December compared to the previous month, which was due to the increase in Australian coal prices. While Australian coal prices increased by 7% on average for the month, South African coal prices fell by 3.3%.

Prices for natural gas also rose again in December compared to the previous month. Especially the prices for European natural gas made up for the losses of the previous month and rose by almost 26% on average for the month. The increase can be explained by the

shortage of European natural gas supplies by the Russian group Gazprom. In addition, the cold season further increased European natural gas consumption, which led to high prices in the low-filled natural gas storage facilities. In contrast, natural gas prices in the US fell on average in December compared to the previous month, as US natural gas supply increased and currently exceeds domestic demand. Due to high European natural gas prices, natural gas exports from the US to Europe are increasing.

*Overall, the energy commodities sub-index rose by 5.7% (euro basis: +6.8%) to 279.7 points (euro basis: 283.9 points).*

### **Industrial commodities index: +3.6% (euro basis: +4.6%)**

The industrial commodities sub-index, which is divided into the index for agricultural commodities, the index for non-ferrous metals and the index for iron ore and steel scrap, rose by 3.6% in December compared to the previous month. In particular, the prices for agricultural commodities and for iron ore and steel scrap drove up the value of the index, while the prices for non-ferrous metals recorded only a slight price increase on average.

After the sharp price declines of recent months, iron ore prices picked up again for the first time in December, rising by 15% compared to the previous month. The decline in iron ore prices in recent months was due to Chinese steel production being cut back to save electricity in the face of energy shortages on the one hand, and to reduce the country's CO<sub>2</sub> emissions on the other. Since mid-November, iron ore prices have risen again as steel production in China is expected to increase again after reaching the emission reduction target for this year.

Non-ferrous metal prices saw opposite developments in December. In the aluminium and zinc markets, prices increased on average for the month. The continued rise in prices for natural gas and coal caused a decline in the energy-intensive production of the two metals. In contrast, prices for copper and lead fell on average in December compared to the previous month. Copper prices thus reacted to the uncertainty in the market caused by the rapid worldwide spread of the new virus variant Omicron. The copper price is considered an economic barometer and reflects expectations of the development of the global economy.

Prices for sawn timber rose particularly strongly in December, by more than 30 % compared to the previous month. The supply of sawn timber remained tight as transport routes were destroyed and sawmills closed because of floods in Canada, a major sawn timber producer. The shortage of supply was met with high demand, which led to a sharp rise in prices.

*Overall, the index for industrial commodities rose by +3.6% (euro basis: +4.6 %) to 144.8 points (euro basis: 146.6 points) on a monthly average.*

### **Index for food and beverages: +2.1% (euro basis: +3.1%)**

The index for food and beverages rose by an average of 2.1% in December compared to the previous month and was thus 28.9 % higher than the corresponding value for the previous



year. All three sub-indices, the index for grains, the index for luxury food and the index for oils and oilseeds rose slightly in December.

Prices for corn and soybeans increased in December compared to the previous month. The price increase is due to the hot and dry weather in the important growing regions in Argentina and southern Brazil. The weather is clouding crop prospects and causing prices to fall. Wheat prices, on the other hand, did not continue the upward trend of recent months in December. In its extensive crop forecasts, the United States Department of Agriculture (USDA) revised crop volumes upwards in important producing countries such as Australia, Russia and Canada. The correction has been reflected in falling world market prices for wheat.

Prices for vegetable oils also fell in December. Prices for soybean oil fell particularly sharply, but prices for palm, coconut and sunflower oil also recorded losses in December compared to the previous month.

Prices for luxury food again moved in opposite directions in December. While coffee and tea prices rose, sugar and cocoa prices fell compared to the previous month. The coffee price continued its month-long upward trend, leaving its ten-year high behind. Supply from Brazil remained tight as poor weather conditions in key growing regions reduced the harvest and global supply chains were also affected by the Corona pandemic. While supply remained tight in December, global demand for coffee was stable.

Sugar prices fell in December compared to the previous month. On the one hand, the spread of the new Omicron virus variant increased concerns about further lockdown measures that would lead to a decline in sugar demand. On the other hand, lower crude oil prices led to a decline in demand for ethanol, which in turn led to a decline in sugar prices.

*Overall, the food and beverages index rose by an average of 2.1% for the month (euro basis: +3.1%) and stood at 150.5 points (euro basis: 152.1 points).*

**Contact us:**

**Dr. Claudia Wellenreuther**  
Hamburg Institute of International  
Economics (HWWI)  
Oberhafenstr. 1  
20097 Hamburg, Germany  
Telephone: +40 40 340576-337  
Email: [wellenreuther@hwwi.org](mailto:wellenreuther@hwwi.org)  
Web: [www.hwwi-rohindex.de](http://www.hwwi-rohindex.de)

**Press contact:**

**Elzbieta Hagemann**  
Hamburg Institute of International  
Economics (HWWI)  
Oberhafenstr. 1  
20097 Hamburg, Germany  
Telephone: +49 40 340576-100  
Email: [hagemann@hwwi.org](mailto:hagemann@hwwi.org)

*Please note that the base year of the HWWI Commodity Price Index has been changed from 2015 to 2020. In addition, the weights by which the various prices are included in the index have been updated using new trade data. Information on the new weightings can be found here: <https://www.hwwi-rohindex.de/ueber-den-index/>*



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Economics

*The HWWI Commodity Price Index is a comprehensive, weekly calculated indicator for the price developments on the world commodity markets, which contains the important internationally traded commodities. Since 1960, the HWWI Commodity Price Index has been measuring the price changes in the raw material import accounting of the industrialized countries. It is thus an indicator for the cost development of imported raw materials and serves, among others, central banks, research institutes and international institutions for their analyses.*