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Have global commodity prices cooled down?

The fear of global inflation is palpable with prices apparently moving up in a relentless manner. What exactly is the extent of this inflation and are there any signs of prices cooling?

The World Bank data on commodity prices has some revealing takeaways because contrary to what is perceived prices of some groups of commodities have eased in May relative to April and while there are still some pain points, there can be hope of inflation coming under control in the coming months if the May pattern is carried forward. Two developments need to be kept in mind when analyzing these prices. The first is that the intensity of sanctions has increased and the second is that China was in a lockdown mode and has emerged out of it from June.

The tables below provide a view of these trends. The absolute prices are given for December (end of 2021), Jan (pre-war), Feb, April and May.

Energy prices

\$ Per barrel/ (\$/mmbtu)	Dec	Jan	Feb	Mar	April	May	May over Dec	May over Jan	May Over April
Crude oil, average	72.9	83.9	93.5	112.4	103.4	110.1	51.1	31.2	6.5
Crude oil, Brent	74.3	85.5	95.8	115.6	105.8	112.4	51.2	31.4	6.2
Coal, South African	142.5	168.5	196.4	294.4	302.0	280.0	96.5	66.2	-7.3
Natural gas, US	3.7	4.3	4.7	4.9	6.5	8.1	118.0	87.8	24.6
Natural gas, Europe	38.0	28.3	27.2	42.4	32.2	29.8	-21.5	5.6	-7.3
LNG, Gas	15.3	14.7	14.9	15.1	16.3	16.5	7.9	12.5	1.5
Natural gas index	236.5	196.9	196.1	271.1	243.4	251.9	6.5	27.9	3.5

Among the energy products coal price has retreated in May while European natural gas price has also declined. However, natural gas from USA continues to witness high growth in prices. Therefore oil related products are still a concern for the global economy given their importance for all countries.

Agri products

\$/kg	Dec	Jan	Feb	Mar	April	May	May over Dec	May over Jan	May Over April
Cocoa	2.38	2.47	2.55	2.46	2.46	2.37	-0.7	-4.1	-3.6
Coffee, Arabica	5.91	5.98	6.17	5.70	5.85	5.74	-2.9	-3.9	-1.9
Coffee, Robusta	2.48	2.43	2.41	2.29	2.29	2.27	-8.5	-6.3	-0.8
Tea, avg 3 auctions	2.82	2.86	2.79	2.61	3.24	2.99	6.1	4.5	-7.7
Tea, Colombo	3.19	3.51	3.61	3.35	4.09	3.73	16.9	6.2	-8.8
Tea, Kolkata	2.67	2.40	2.07	1.96	3.11	2.87	7.3	19.6	-7.7
Tea, Mombasa	2.62	2.68	2.73	2.54	2.53	2.38	-9.1	-11.2	-5.9

Prices of beverages have declined over April and in case of cocoa and coffee, prices are lower than December too. Tea however has witnessed an increase over December and January with both the Sri Lanka and India auctions registering higher prices since December. However, compared with April prices have come down.

\$/t	Dec	Jan	Feb	Mar	April	May	May over Dec	May over Jan	May Over April
Coconut oil	1,696	2,016	2,148	2,230	2,095	1,813	6.9	-10.1	-13.4
Groundnuts	1,475	1,480	1,496	1,491	1,444	1,483	0.5	0.2	2.7
Groundnut oil	2,154	2,490	2,473	2,153	2,145	2,146	-0.4	-13.8	0.0
Palm oil	1,270	1,345	1,522	1,777	1,683	1,717	35.2	27.7	2.0
Palm kernel oil	1,861	2,196	2,443	2,441	2,064	1,811	-2.7	-17.5	-12.3
Soybeans	554	606	662	721	721	724	30.7	19.4	0.5
Soybean oil	1,411	1,470	1,596	1,957	1,948	1,963	39.1	33.6	0.8
Soybean meal	462	526	569	601	579	530	14.8	0.6	-8.6
Rapeseed oil	1,743	1,865	1,744	2,162	2,266	2,218	27.3	18.9	-2.1
Sunflower oil	1,362	1,412	1,499	2,361	2,276	2,079	52.7	47.3	-8.6

In case of the oil complex, prices have tended to cool down in May with coconut oil, palm kernel oil, soybean meal and mustard oil witnessing a decline. Palm oil prices increased by 2% which can be attributed to Indonesia announcing a ban before withdrawing the same. The interesting data point is sunflower oil where Ukraine and Russia are major suppliers to the global market. As oils are substituted quite swiftly, the withdrawal of sunflower oil supplies from the global market has led to a migration from sunflower oil to other oils. Therefore demand for sunflower oil has come down leading to lower prices. Groundnut oil prices have retreated since the war while soybean oil price has gone up.

\$/t	Dec	Jan	Feb	Mar	April	May	May over Dec	May over Jan	May Over April
Maize	265	277	293	336	348	345	30.4	24.7	-1.0
Rice, Thai 5%	400	427	427	422	431	464	16.0	8.7	7.7
Rice, Thai 25%	393	419	422	419	429	458	16.5	9.3	6.8
Rice, Thai A.1	381	403	406	407	409	443	16.3	9.8	8.3
Rice, Vietnamese	403	396	384	392	402	406	0.9	2.7	1.0
Wheat, US SRW	328	332	..	533	672	651	98.5	95.9	-3.2
Wheat, US HRW	377	374	391	486	495	522	38.6	39.6	5.5

Grains continue to be a problem area as the removal of Russian and Ukrainian wheat has pushed prices on a continuous basis. India has been affected due to drop in production and hence the ban on exports should help to ease prices over time. There has been marginal decline in maize price.

\$/kg	Dec	Jan	Feb	Mar	April	May	May over Dec	May over Jan	May Over April
Sugar, EU	0.37	0.37	0.37	0.36	0.35	0.35	-6.4	-6.5	-2.3
Sugar, US	0.81	0.78	0.78	0.80	0.81	0.80	-0.9	2.5	-1.4
Sugar, world	0.42	0.40	0.39	0.42	0.43	0.43	3.2	6.8	-1.1
Tobacco	4,182	4,185	4,220	4,258	4,169	4,159	-0.6	-0.6	-0.2

In case of sugar and tobacco, there has been a decline in prices over April. Cotton prices however have been rising which is why it has been seen that we have also put restrictions on exports. Rubber prices on the other hand have declined

\$/kg	Dec	Jan	Feb	Mar	April	May	May over Dec	May over Jan	May Over April
Cotton, A Index	2.65	2.91	3.05	3.11	3.42	3.61	36.4	24.0	5.4
Rubber, TSR20	1.72	1.78	1.79	1.75	1.70	1.62	-6.1	-9.1	-5.0

Fertilizers

Fertilizer prices have witnessed moderation in May and with the exception of phosphate rock which increased by 2.2%, there was decline in prices of DAP. TSP and urea. Besides supply conditions fertilizer prices are also affected by price of natural gas.

\$/t	Dec	Jan	Feb	Mar	April	May	May over Dec	May over Jan	May Over April
Phosphate rock	177	173	173	179	250	255	44.3	47.3	2.2
DAP	745	699	747	938	954	843	13.1	20.5	-11.7
TSP	687	676	688	793	856	828	20.5	22.4	-3.3
Urea	890	846	744	873	925	708	-20.5	-16.4	-23.5
Potassium chloride	221	221	392	563	563	563	154.5	154.5	0.0

Metal prices have decline in May and the China factor may be the major driving factor. These prices could decline further once the world economy slows down on account of central banks increasing interest rates. Prices have been on the decline even when compared with January, which is just before the war started. Russia has a dominant space in iron ore and prices did increase in March and April, but have come down subsequently. Nickel was the exception where prices increased over January, but came down in May.

Base metals

\$/t	Dec	Jan	Feb	Mar	April	May	May over Dec	May over Jan	May Over April
Aluminum	2,696	3,006	3,246	3,498	3,244	2,830	5.0	-5.8	-12.8
Iron ore	117	133	143	152	151	131	12.2	-1.0	-13.2
Copper	9,551	9,782	9,943	10,231	10,161	9,377	-1.8	-4.1	-7.7
Lead	2,302	2,332	2,297	2,345	2,380	2,142	-6.9	-8.1	-10.0
Tin	39,423	41,792	43,983	43,950	42,991	35,769	-9.3	-14.4	-16.8
Nickel	20,016	22,355	24,016	33,924	33,133	28,063	40.2	25.5	-15.3
Zinc	3,399	3,599	3,620	3,962	4,360	3,751	10.4	4.2	-14.0

Precious metals

The precious metals scene followed the trend in base metals with gold, platinum and silver declining in May compared with both January and April. Gold is considered a safe harbor when global conditions

are volatile. In this crisis like situation, the dollar has been strengthening and as it has an inverse relation with gold, has moved in the downward direction.

\$/ounce	Dec	Jan	Feb	Mar	April	May	May over Dec	May over Jann	May Over April
Gold	1,790	1,816	1,856	1,948	1,937	1,849	3.2	1.8	-4.6
Platinum	945	994	1,049	1,043	965	958	1.5	-3.6	-0.7
Silver	23	23	24	25	25	22	-2.8	-5.4	-10.8

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