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Commodity Markets Outlook: World Bank

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Why in News

According to the **World Bank's April 2020 Commodity Markets Outlook**, **Covid-19** is expected **to bring most commodity prices down** substantially in 2020.

However, it also says that the outlooks are **"exceptionally uncertain"** and depend on the severity and duration of the pandemic and when mitigation measures are taken.

Key Points

- **Worst Hit**
 - **Energy and metals commodities** are the most affected by the sudden stop to economic activity and the serious global slowdown that is anticipated.
 - Commodities associated with **transportation, including oil**, have experienced the steepest declines.
- **Agricultural prices** are likely to **stay broadly stable in 2020** because of relatively stable demand and all-time high levels of staple production and stock.
However, **supply chain disruptions** and government steps to restrict exports or stockpile commodities raise concerns that **food security may be at risk** in places.
- **Gold prices** were up 6.9% in the last quarter (January- March,2020) – its sixth consecutive quarterly rise.
The **strong investor demand** propped gold up despite weak jewelry demand in India and China.
- **Oil Prices:** These are expected to average at \$35 per barrel in 2020.
The decline in crude oil prices has been exacerbated by **uncertainty around production agreements among the Organization of the Petroleum Exporting Countries (OPEC) and other oil producers.**

- **Impact on Importers and Exporters:** They are likely to see some long-term shifts in their markets due to the pandemic. These include
 - **Increasing transport costs** due to enhanced border checks and thus **impact on supply chains.**
 - **Substituting for imports with domestic goods:** Companies might prefer to source from closer by for instance.
- **Other Observations: Changing consumer behaviour,** for instance, people may choose to work remotely, travel less, and this could impact permanent drops in demand for oil, **favourably impacting the accounts for oil importers.**

The reduction in emissions of the harmful gases caused by the restrictions **may also increase public pressure for greener transport and lowered fossil fuel use.**

Commodity Markets Outlook

- It provides **market analysis for major commodity groups** - energy, metals, agriculture, precious metals, and fertilizers.
- The report forecasts **prices for 46 key commodities**, including oil.
- It is **published by the World Bank in April and October.**

Source: TH