

SVETOVNE CENE SUROVIN

OCENE IN ANALIZE SVETOVNIH CEN SUROVIN

World Trade and
Commodity Prices
in 2014 - mid 2016

Upad svetovnih cen surovin,
pijače izjema
stran 1

Cene kovin so se umirile na
ravnih blizu povprečja iz
2010
stran 3

Cene kmetijskih surovin
stabilne, prehranske
surovine bolj živahne
stran 4

WORLD TRADE AND COMMODITY PRICES IN 2014- prvo polletje 2016

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GKI	Economic Research Co., Budapest
HWWI	Hamburg Institute of International Economics, Hamburg
IfW	Kiel Institute for the World Economy, Kiel
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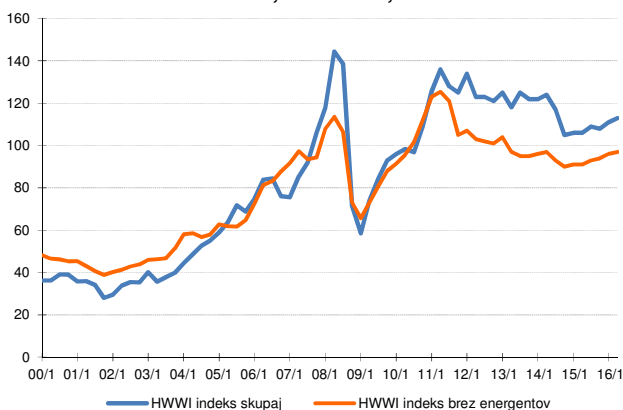
POVZETEK GIBANJA NAJPOMEMBNEJŠIH SVETOVNIH CEN SUROVIN

Upad svetovnih cen surovin, pijače izjema

V drugi polovici leta 2014 **svetovni trgi surovin** beležijo izrazito nižje cene. Energetske surovine so novembra 2014 glede na isti mesec lani upadle za 23,2 %, ne-energetske za 4,6 %. V primerjavi z decembrom 2008 (kjer so bile cene surovin med najnižjimi) so bile novembra 2014 cene energetskih surovin še vedno višje za 49 % in ne-energetske za 29 %. Zadržano agregatno povpraševanje ob hkratnem zvišanju vrednosti dolarja v nekaj zadnjih mesecih je najbolj vplivalo na gibanje cen. Kitajska sicer ostaja glavni igralec na trgih surovin, čeprav se gospodarska aktivnost tam nekoliko ohlaja. Razočaranje pomenijo tudi gospodarska gibanja in s tem povpraševanje po surovinah v Evropi, na Japonskem, Rusiji in Braziliji.

Dolarske cene surovin bodo v letu 2014 v povprečju nižje za 4 %, v letu 2015 pa po ocenah še za dodatnih 9 %. Po napovedi združenja evropskih konjunktturnih inštitutov AIECE bodo najbolj padle cene, merjene v dolarjih in izražene s skupnim utežnim HWWI indeksom, pri kovinah za proizvodnjo jekla (med 14 in 18 %) in cene energentov (med 5 in 10 %). Tudi cene hrane in surovin kmetijskega izvora bodo nazadovale, cene neželeznih kovin pa se bodo po ocenah v letu 2015 rahlo obrnile navzgor.

CENE SUROVIN 2000 - 2016
HWWI indeks cen v USD, četrtletno, 2010=100

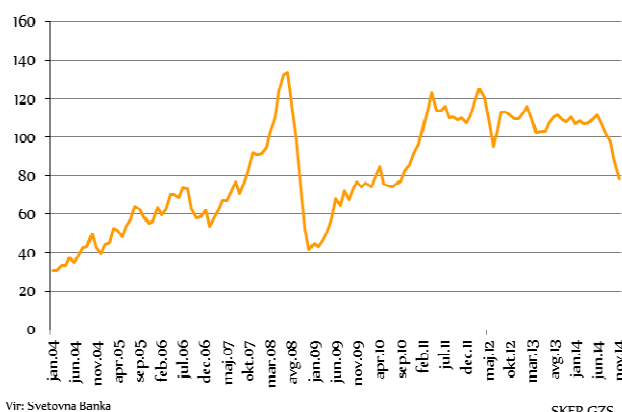


Vir: AIECE strokovna skupina za cene surovin

SKEP GZS

Presežna ponudba je najbolj izrazita na trgu **nafte** in posledično tudi pri ostalih energentih. Po večmesečnem obdobju umirjenih gibanj se cena nafte od junija letos strmo znižuje. Junija je povprečna cena sode nafte Brent dosegla 111,9 dolarjev, oktobra 87,3 dolarjev za sod in novembra 78,4 dolarjev za sod, kar je za 27,4 % manj kot novembra lani. V prvem tednu decembra se je cena znižala še na 66 dolarjev za sod. Zanimivo je, da se tokrat OPEC na nižanje cen ni odzval s prilagoditvijo ponudbe. Predvsem največje članice (Saudska Arabija) želijo ohranjati svoj tržni delež in s tem s trga izriniti proizvajalke nafte z visokimi stroški črpanja. Nizka cena namreč najbolj škoduje drugim ponudnikom nafte, kjer je proizvodnja dražja. S to potezo države, tradicionalne proizvajalke nafte, neposredno pritiskajo na nadaljnje pridobivanje nafte iz drugih virov oz. na njihov prag rentabilnosti. Cena nafte Brent naj bi v povprečju upadla iz 102 USD/sodček v 2014 na 88 USD v 2015, kot posledica šibkega povpraševanj in rastoče ponudbe.

GIBANJE CENE NAFTE BRENT 2004-2014
mesečna povprečja, v USD za sod



Vir: Svetovna Banka

SKEP GZS

Cena zemeljskega plina se bo letos v povprečju znižala za 15 %, v 2015 pa še za 11 %. Povpraševanje po zemeljskem plinu se še naprej znižuje zaradi večje uporabe obnovljivih virov energije in relativno nizkih cen energetske konkurentov (nafta, premog). Pritisk na nižanje cen pomeni tudi povečevanje kapacitet za shranjevanje zemeljskega plina v Evropi ter dodatna ponudba plina v ZDA. Evropa tako nekoliko znižuje svojo energetske odvisnost, z velikimi zalogami pa vpliva tudi na »likvidnost« plinskih dobav, kar omogoča visoko stopnjo prilagajanja trga glede na ponudbo in povpraševanje. Kar 70 % evropskega plina se namreč proda po t.i spot (trenutnih) cenah in ne več po vnaprej dogovorjenih cenah.

Padanje cen industrijskega premoga se nadaljuje, medtem ko se bodo cene koksa, po napovedih po treh letih zniževanja stabilizirale. Presežna ponudba še naprej oblikuje cenovna gibanja, a se predvsem proizvodnja koksa že prilagaja za zniževanjem ponudbe. Cene premoga bodo tako po 15 odstotnem znižanju v 2014, v letu 2015 nižje še za 10 %. Ob tem bodo cene koksa letos nazadovale za 21 %, v prihodnjem letu pa se bi lahko okrepile za 3 odstotke.

Tabela 1: GIBANJE CEN SUROVIN NA SVETOVNIH TRGIH ZA GLAVNE BLAGOVNE SKUPINE 2013 –2016, v US\$

Stopnje rasti v US\$ glede na preteklo leto oziroma preteklo četrletje

SKUPINE SUROVIN, v US\$	2013	2014	2015	2013		2014				2015				2016	
				III	IV	I	II	III	IV	I	II	III	IV	I	II
HWVI INDEKS - SUROVINE SKUPAJ	-2	-4	-9	6	-2	-1	2	-5	-10	0	0	3	-1	3	1
1. brez energentov	-5	-4	-2	-3	0	0	2	-4	-3	1	1	2	2	1	1
Prehrambene in tropske surovine	-11	-3	-5	-8	-3	7	8	-14	-3	0	13	3	3	3	3
Žitarice	-13	-22	-11	-18	-8	0	6	-18	-5	-1	0	2	3	2	2
Pijače, sladkor	-17	22	18	-3	-1	16	11	-1	7	4	4	4	4	4	4
Oljarice in olja	-4	-8	-23	-3	-1	4	7	-22	-12	-5	-1	1	1	2	2
Industrijske surovine	-3	-4	-1	0	2	-2	-1	1	-3	1	1	1	1	1	1
Surovine kmetijskega izvora	2	0	-1	1	4	0	-1	-3	-2	1	1	0	1	0	0
Neželezne kovine	-8	0	5	-2	0	-1	4	6	-2	1	1	2	1	1	1
Staro železo in železova ruda	-6	-2	2	-2	0	1	-2	0	1	1	1	0	1	0	0
2. ENERGENTI	-1	-5	-10	8	-3	-1	3	-6	-12	0	03	-1	3	1	1
Industrijski premog	-12	-15	-10	-9	9	-7	-6	-7	-5	0	-2	-2	0	2	2
Surova nafta	-1	-4	-10	8	-3	-1	3	-6	-12	0	0	3	-1	3	1
	4	-15	-11	-7	0	-1	-10	-9	2	-3	-2	-2	2	2	2

Vir: World Commodity Prices 2013-2016 - AIECE Working Group on Commodity Prices, november 2014

TABELA 3: GIBANJE CEN SUROVIN NA SVETOVNIH TRGIH ZA GLAVNE BLAGOVNE SKUPINE 2013 –2016, V EUR

Stopnje rasti v EUR glede na preteklo leto oziroma preteklo četrletje

SKUPINE SUROVIN, v EUR	2013	2014	2015	2013		2014				2015				2016	
				III	IV	I	II	III	IV	I	II	III	IV	I	II
HWWI INDEKS - SUROVINE SKUPAJ	-5	-5	-3	5	-5	-1	2	-2	-5	0	0	3	-1	3	1
1. SUROVINE SKUPAJ, brez energentov	-8	-4	4	-4	-2	0	1	-1	2	1	1	2	2	1	1
Prehrambene in tropске surovine	-14	-3	1	-9	-6	6	8	-11	3	0	1	3	3	3	3
Žitarice	-16	-22	-5	-19	-10	0	6	-15	1	-1	0	2	3	2	2
Pijače, sladkor	-20	23	25	-4	-4	16	11	2	13	4	4	4	4	3	4
Oljarice in olja	-8	-8	-18	-5	-4	3	7	-19	-7	-5	-1	1	1	2	2
Industrijske surovine	-6	-4	6	-2	-1	-3	-1	4	2	1	1	1	1	1	1
Surovine kmetijskega izvora	-1	0	5	-1	1	-1	-1	1	4	1	1	0	1	0	0
Neželezne kovine	-11	1	11	-3	-2	-2	4	10	3	1	1	2	1	1	1
Staro železo in železova ruda	-9	-2	8	-3	-3	0	-2	3	8	1	1	0	1	0	0
2. ENERGENTI	-5	-5	-4	6	-5	-1	2	-2	-6	0	0	3	-1	3	1
Industrijski premog	-15	-15	-5	-11	6	-7	-6	-3	1	0	-2	-2	0	2	2
Surova nafta	-4	-4	-4	7	-5	-1	2	-2	-6	0	0	3	-1	3	1
	0	-15	-5	-9	-3	-2	-10	-6	8	-3	-2	-2	2	2	2

Vir: World Commodity Prices 2013-2016 - AIECE Working Group on Commodity Prices, november 2014

Cene kovin so se umirile na ravneh blizu povprečja iz 2010

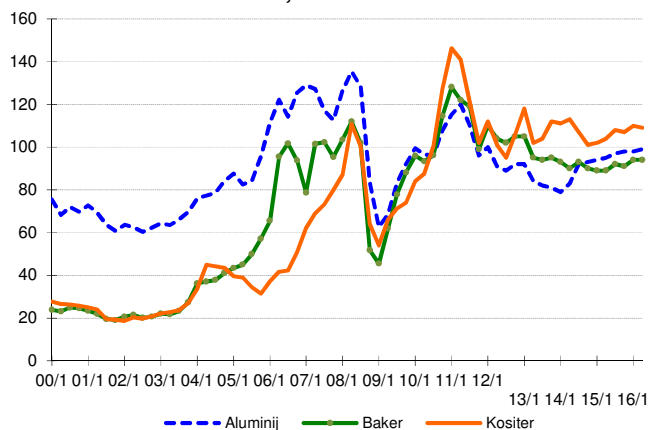
Trgi neželeznih kovin v letih 2013-2015 kažejo na precejšnje stabilnost, kljub razlikam v gibanju posameznih nekovin. V primerjavi z drugimi surovinami so tu izgube najmanjše, saj povpraševanje kljub nizki gospodarski aktivnosti ostaja razmeroma stabilno. Razlog so med drugim živahna gradbena dejavnost na Kitajskem ter prilagajanje trendom avtomobilске industrije v ZDA in v Evropi. Cene nekovin bodo v letu 2014 v povprečju ostale na enaki ravni kot v letu pred tem, v 2015 pa naj bi se v povprečju zvišale za 5 %, predvsem na račun aluminija in cinka.

Cena aluminija, ki je postopoma upadala vse od sredine leta 2011, se v zadnjih dveh četrletjih 2014 nekoliko krepi. Oktobra je po evidenci Svetovne banke dosegla 1.946 dolarjev za metrično tono. Rast povpraševanja spodbuja predvsem razvoj avtomobilске industrije, kjer prevladujejo lažji materiali, proizvodnja in prodaja pa se krepi tako v ZDA in na Kitajskem kot tudi v Evropi. Trg bo letos po dolgem času dosegel presežno povpraševanje, zaloge se znižujejo. Cena se bo do konca leta 2014 umirila tudi zaradi krepitve vrednosti ameriškega dolarja. Glede na navedene tržne trende je za leto 2014 ocenjena povprečna rast cen za 2 %, v letu 2015 pa za 11 %.

Gibanje cen bakra je zaradi svoje široke uporabe eden pomembnih vodilnih indikatorjev svetovnega gospodarstva. Ta kaže, da se je zniževanje cen upočasnilo. Cena bakra se je v zadnjem letu gibala na ravni nekaj pod 7.000 dolarjev za tono, v letu dni pa se je znižala za 6,6 %. Glavni dejavnik je Kitajska, ki predstavlja okrog 50 % svetovnega povpraševanja. Poleg fizičnega obsega trgovanja pa na ceno vpliva tudi uporaba bakra kot zavarovanja v finančnih poslih. Kitajske oblasti so s tem v zvezi ugotovile večje nepravilnosti, saj je bila ista zaloga

večkrat zavarovana. Kitajske banke so zato močno omejile kreditno zavarovanje s surovinami, kar je znižalo tudi povpraševanje po bakru. V letu 2014 je pričakovati povprečno znižanje cene bakra za 6 %, v 2015 pa še za dodaten odstotek.

**NEŽELEZNE KOVINE, 2000 - 2016,
HWWI index cen v USD, 2010=100**



Vir: AIECE strokovna skupina za cene surovin

SKEP GZS

Potrošnja cinka se krepi, kar vpliva tudi na cene, ki rastejo in so že dosegle ravni iz leta 2008. Za tem stoji krepitev gradbenega sektorja (infrastruktura, železnice), ter proizvodnja avtomobilov višjega razreda, kjer se uporablja visoko kvalitetno galvanizirano (vroče-cinkano) jeklo. Tržni presežek iz preteklih let se bo zaradi manjše proizvodnje zniževal, cena pa naj bi letos zrasla za 13 %, v 2015 pa še za 6 %.

Cene svinca so avgusta zabeležile najvišje ravni v zadnjih 18 mesecih. Povpraševanje narašča predvsem zaradi rasti trga avtomobilskih akumulatorjev in drugih vrst baterij na bazi svinca, ob hkratnih omejitvah v proizvodnji. Zaloge so kljub povečanju še naprej na nizki ravni. Cene naj bi v povprečju leta 2014 padle za 2 %, v 2015 pa bi se okrepile za odstotek.

Nikelj je med nekovinami letos zabeležil najvišji dvig cene, a se je po poletnem dvigu oktobra cena vrnila na raven 15.800 dolarjev za tono. Indonezijska omejitev izvoza ter sankcije proti Rusiji sta glavna razloga za rast, kljub temu, da zaloge ostajajo visoke in je trg v presežku. V letu 2014 je pričakovati krepitev povprečne cene za 13 %, v 2015 pa le še za odstotek.

Povpraševanje po jeklu se v letih 2014 - 2015 nekoliko znižuje, saj je Kitajska, kot glavni potrošnik, omejila stanovanjsko gradnjo, ker se sooča s presežno ponudbo in velikimi praznimi naselji. Hkrati se krepi povpraševanje Japonske, ZDA ter tudi Velike Britanije in Poljske. Cena jekla naj bi letos zaostala za lansko za 2 %, v 2015 pa je možno pričakovati ponovno 2-odstotno zvišanje cen.

Cene kmetijskih surovin stabilne, prehranske surovine bolj živahne

Cene industrijskih surovin kmetijskega izvora bodo po oceni HWWI letos v povprečju ostale na enaki ravni kot lani, v letu 2015 pa bi se lahko znižale za odstotek.

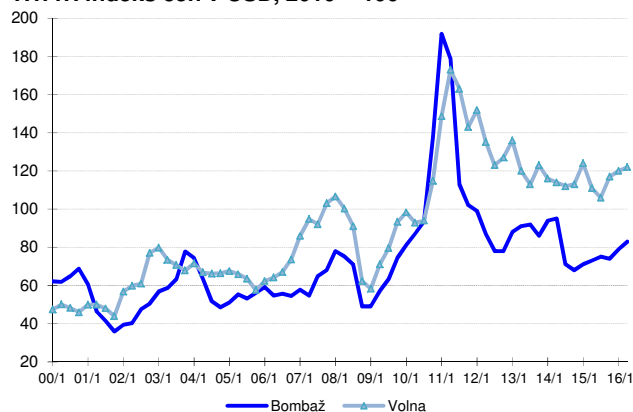
Trg **bombaža** je v veliki meri uravnavala politika zalog Kitajske, ki je odkupovala presežno proizvodnjo in jo skladiščila, s tem pa je držala raven cen. S spremembo politike v neposredne spodbude proizvajalcem pa se bodo na trgu pojavile večje količine bombaža in pričakovati je padec cen. Pričakovana proizvodnja bo dobra v ZDA in v Turčiji, kar bo zlahka zadovoljilo povečano povpraševanje. Letos bo po napovedih cena padla za 9 %, v 2015 pa bo sprostitve zaloge potisnila ceno navzdol za 11 %.

Proizvodnja in ponudba **volne** se, kot odziv na nižje povpraševanje, znižuje. Avstralija je znižala število strižnih ovc, tudi zaradi večjega povpraševanja po ovčjem mesu, kar je trenutno bolj donosno. Volna bo letos v povprečju po oceni cenejša za 8 %, v 2015 pa naj bi se okrepila za odstotek.

Povpraševanje po **surovi gumi** zmeroma narašča po letni stopnji okrog 4 %. To izvira iz povečevanja avtomobilske proizvodnje in rasti trga za avtomobilske pnevmatike. Globalni presežek na trgu se bo v letu 2015 zmanjšal.

Tveganja za proizvodnjo predstavlja Tajska, kjer so socialni nemiri že stalnica. Cene se bodo letos zato v povprečju spustile za 31 %, nato se bo trg v 2015 le postopoma uravnotežil, zato bodo cene padle še za 6 %.

TEKSTILNE SUROVINE, 2000 - 2016 HWWI indeks cen v USD, 2010 = 100



Vir: AIECE strokovna skupina za cene surovin

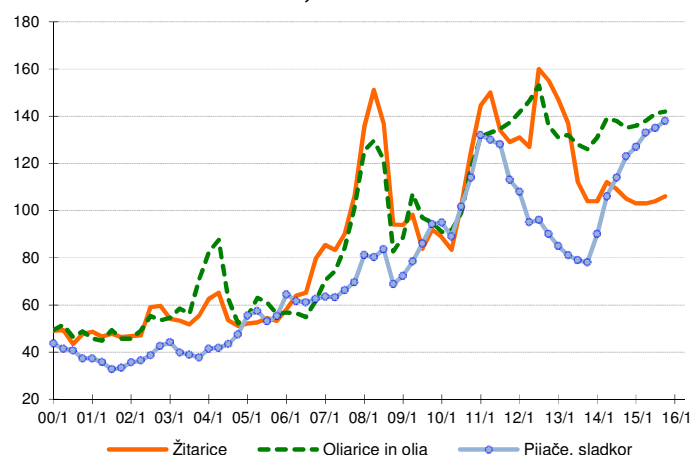
SKEP GZS

Okrevanje industrije papirja in kartona je znatno doprineslo k **dvigu cen celuloze in lesa**. V letih krize in prehoda na digitalne medije sta se znižala proizvodnja in zaloge. To je pomenilo hiter odziv cen na višje povpraševanje, tako da bodo cene po pričakovanjih letos višje za 8 %, v letu 2015 pa še za 2 %.

Med skupinami prehranskih surovin se močno krepijo cene pijač, medtem ko cene žitaric in oljaric nazadujejo. Kava sorte arabica, ki pomeni 40 % svetovne proizvodnje, se je po evidenci svetovne banke v letu dni podražila kar za 76 %, na kar je bistveno vplivala izredna suša v Braziliji konec 2013 ter neugodne vremenske razmere letos. Na drugi strani pa se obeta dobra letina kave sorte robusta, ki jo prideluje Vietnam. Čeprav se rast umirja, bo povprečna cena kave letos za 34 % višja od lanske, nadaljevanje rasti za 30 % pa je pričakovat tudi prihodnje leto.

Cene **kakava** so rasle pod vplivom pričakovanj o slabi letini, vendar je bilo vreme letos ugodno in tudi letina dobra, tako da cene v drugi polovici leta popuščajo. Povprečna cena bo lansko preseгла za 27 %, v 2015 pa še za dodatnih 7 %. Padanje cen sladkorja se je letos nekoliko ustavilo zaradi pričakovane slabe letine v Braziliji. Ker bo trg ostal v presežku, bodo cene letos padle za 8 %, prihodnje leto pa še za 10 %.

PREHRAMBENE SUROVINE, 2000-2016 HWWI indeks cen v USD, 2010=100



Vir: AIECE strokovna skupina za cene surovin

SKEP GZS

Cene **žitaric** se po visokih ravneh iz preloma let 2012-13 znižujejo. Umirile naj bi se šele v letu 2016. **Pšenica** je držala visoko ceno zaradi negotovosti glede proizvodnje v Ukrajini in slabega vremena v ZDA, vendar se ta pričakovanja niso uresničila. Cene se znižujejo, tudi za prihodnje leto je pričakovano povečanje proizvodnje, zato so napovedane za 10 % nižje cene kot letos. Cene **koruze** zaradi dobre letine že padajo, zaloge se krepijo. Povprečna cena letos naj bi se znižala za 28 %, v 2015 pa še za 15 %. Čeprav se bo naslednje leto proizvodnja zmanjšala, bo letina zgodovinsko še vedno zelo visoka. Najbolj bodo letos nazadovale cene **ječmena**, za 41%, malo manj izrazit bo padec cen **riža**, 18-odstoten.

Žitarice, 2000 - 2016
HWVI indeks v USD, četrtletno, 2010=100

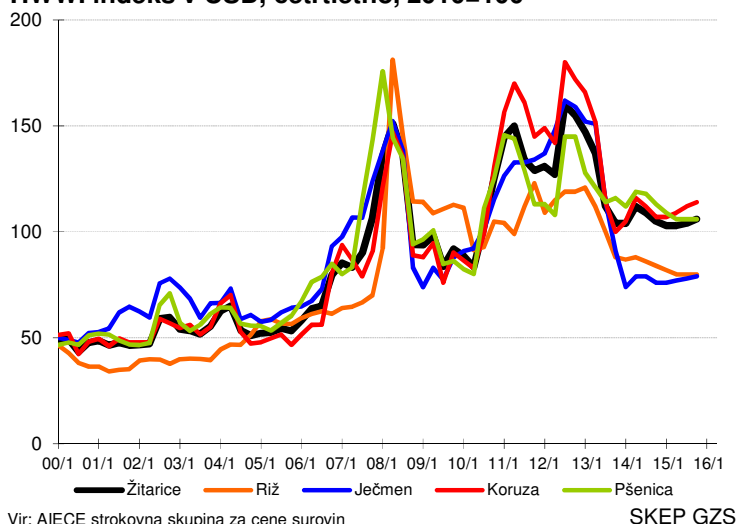


TABELA 3: GIBANJE CEN POSAMEZNIH SUROVIN NA SVETOVNIH TRGIH 2013-2016
V US\$

Stopnje rasti, glede na preteklo leto, pri četrtletnih podatkih glede na preteklo četrletje

SUROVINE, v US\$	2013	2014	2015	2013		2014				2015				2016	
				III	IV	I	II	III	IV	I	II	III	IV	I	II
Ječmen	-16	-41	-1	-24	-20	-18	8	-5	-9	0	5	4	5	4	0
Koruza (ZDA)	-17	-28	-15	-25	-12	5	6	-25	-3	-2	-1	1	4	3	3
Riž	-9	-18	3	-11	-11	-1	-7	9	-2	0	0	2	2	2	2
Pšenica	-6	-10	-10	-6	2	-4	10	-17	-7	0	2	22	1	2	2
Kava (ZDA)	-24	34	30	-7	-9	32	18	-2	14	6	6	5	4	4	4
Kakav	2	27	7	7	12	7	5	5	-4	3	3	2	2	1	1
Čaj	-3	-3	3	0	3	3	-6	-2	1	1	2	2	2	1	1
Sladkor	-19	-8	-10	-2	6	-7	5	-8	-6	0	-7	0	7	0	7
Soja	-5	-12	-27	-7	-4	4	9	-25	-14	-5	-2	1	1	2	2
Bombaž (ZDA)	4	-8	-11	1	-6	9	1	-25	-4	4	2	3	-1	7	5
Volna (Avstralija)	-8	-8	1	-6	8	-6	-2	-2	1	11	-11	-5	11	2	2
Kavčuk (Thai)	-20	-31	-6	-4	0	-15	-13	-6	-6	3	2	1	0	-2	-4
Mehki les	9	5	-2	3	5	1	0	-3	-3	0	1	1	1	1	1
Celuloza	5	8	2	1	4	2	1	0	1	0	1	0	0	0	0
Aluminij	-8	2	11	-3	-1	-3	5	11	2	1	1	2	0	0	0
Baker	-8	-6	-1	-1	1	-2	-4	3	-4	-1	0	3	-1	3	1
Svinec	4	-2	1	2	0	0	0	4	-6	1	1	1	3	2	1
Nikelj	-14	13	1	-7	0	5	26	1	-14	2	4	3	3	1	1
Kositer	6	-1	-2	2	8	-1	2	-5	-6	1	1	4	0	2	-1
Cink	-2	13	6	1	3	6	2	12	-5	2	0	1	3	2	1
Staro železo (ZDA)	-1	4	-3	-5	6	7	-5	-3	-3	0	2	2	2	0	0

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**Association d'instituts européens
de conjoncture économique**

Working group on commodity prices and foreign trade

World Trade and Commodity Prices in 2014 - mid-2016

A report submitted to the AIECE Autumn General Meeting

6-7 November Brussels

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Contents

Summary	3
1. General overview and assumptions	4
1.1 Recent developments in the world economy	4
1.2 Recent trends in world trade.....	8
1.3 Main assumptions and forecasts risks	12
2. The world trade outlook	13
2.1. Imports and domestic demand.....	13
2.2. Exports and price competitiveness	15
2.3. Market shares developments	16
3. Commodity price outlook to mid-2016.....	18
3.1 Recent price developments.....	18
3.2 Overview of the outlook for commodity prices	21
3.3 Outlook for energy raw material prices.....	29
3.3.1 Crude Oil	30
3.3.2 Steam and Coking Coal.....	33
3.3.3 Natural gas.....	35
3.4 Metals and minerals.....	37
3.4.1 Non-Ferrous metals	37
3.4.2 Steel and ferrous steel raw materials	42
3.5 Agricultural raw materials.....	46
3.6 Food and tropical beverages.....	51
3.6.1. Grains	52
3.6.2. Tropical beverages and sugar	56
Appendix 1. Trade Statistics	62
Appendix 2. Commodity price indices.....	68
Box 1 The weakness of the EMU in the first part of 2014: some stylized facts	12
Box 2 Current Account “Core-Periphery Dualism” in The EMU	14
Box 3 The US shale oil production and crude oil prices	32

Summary

Global GDP growth in the Q2 accelerated in q-o-q terms reflecting a recovery in both industrialized and emerging countries but with very heterogeneous performances within the two groups. Many indicators suggest a low growth for both Eurozone and Japan also in the coming quarters while the US is forecasted to reach 3 per cent increase in GDP in 2015. The growth of emerging countries is expected to remain on track in the coming quarters with some pressure toward a mild deceleration in China and further problems for net commodity exporters. Inflation is declining worldwide, but in some hot spots. Monetary policy decoupling and economic growth difference between the US on one side and EMU and Japan on the other are expected to strengthen the dollar.

Global trade growth is expected to accelerate moderately in 2015 after around 3 per cent annual growth in three consecutive years with a historically low elasticity to world GDP (around 1). The growth rate of trade is expected to increase from 2.9 per cent in 2013 to 3.5 per cent in 2014 and 4.7 per cent in 2015, with growth being higher in emerging countries than in industrialized ones. The picture is similar for exports. Eurozone as a whole will lose market shares but some countries (e.g. Germany, Spain) will gain. Prices are expected to decline by some decimal points only. While the scenario is gloomy as such, it does not come without several risks, spanning from Russian-Ukrainian crisis to Ebola, not forgetting the deflation risk in Eurozone. For the international trade, the development of exchange rates is crucial. There are risks on both sides. Should the monetary policy normalization process by the Federal Reserve slow down, a delay in dollar appreciation could damage the recovery of exports of the rest of the world, Eurozone in particular. On the other hand, should a rapid carry trade unwinding take place, a sudden huge dollar appreciation could hit the emerging economies that most depend on international capital inflows.

World commodity prices, measured by the HWWI-index (the weighted average of 30 commodity prices) declined sharply by 11 per cent from June to September 2014. A decline was observed in all the main index sub-groups and most commodities. Prices rose only for aluminium, zinc, lead, wood pulp, cocoa, rice and hides. A common feature behind the general price fall was the strengthening of the dollar, which has an inverse, loose relationship to US dollar prices of commodities. A five per cent appreciation of the USD vis-à-vis euro in June-September was related to an average six per cent decline in world commodity prices in euro terms. However, good weather or continuing strong rise of supply were also important reasons behind some price falls.

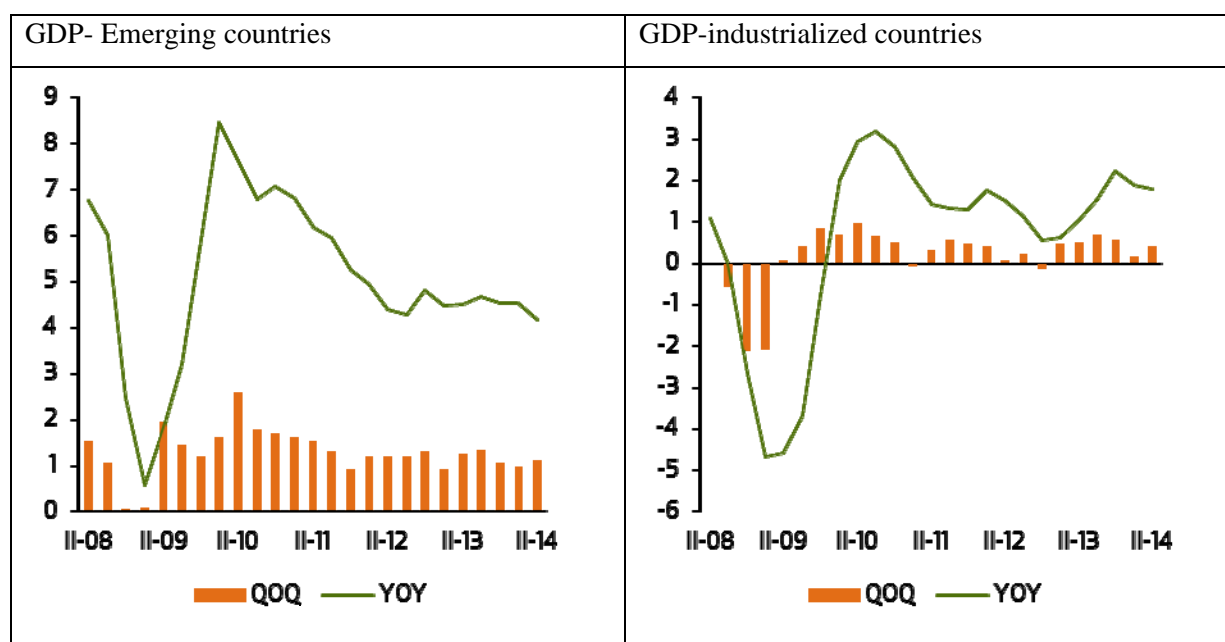
The decline reflected the moderation of commodity demand in emerging markets, particularly in China and increasing supply in response to very strong price rise in early 2000's. In case of crude oil, the change of the behaviour of Saudi Arabia from a regulator of the oil market to a defender of its market share is an additional key factor behind a drop in the price. In the forecast it is expected that OPEC and Saudi Arabia tolerate relatively low price level of crude to diminish the production incentives for its high-cost producers e.g. in the US. Price of the crude oil (Brent) is forecast to average 103 USD/bbl in 2014 and 91 USD/bbl in 2015.

Prices of non-energy raw materials are expected in general to bottom out close to the levels reached in autumn and continue rather flat in 2015 and in the beginning of 2016 reflecting assumed moderate demand growth, normal weather conditions and in many cases supply is increasing rather strongly due to heavy investments in the recent past.

1. General overview and assumptions

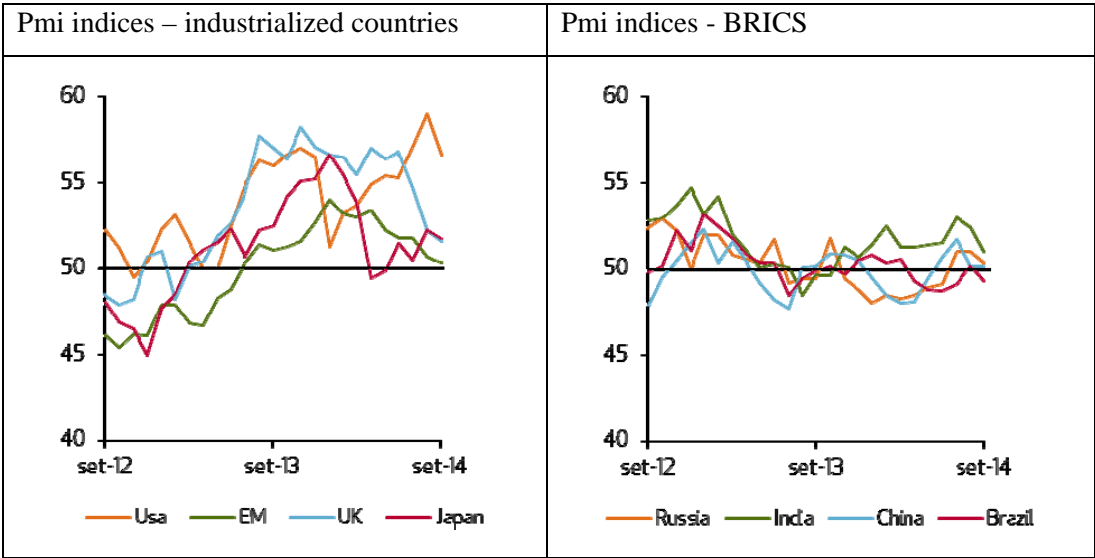
1.1 Recent developments in the world economy

In the second quarter of 2014, world GDP growth picked up in q-o-q terms from 0.5 per cent in the first to 0.7 per cent implying a little decrease in y-o-y terms from 3.3 per cent to 3.1 per cent. Both industrialized and emerging countries, contributed to this recovery but the aggregate picture hides heterogeneous dynamics.



In the second quarter, among the industrialized countries, the performance of US and UK economies was very good offsetting the stagnation in the Eurozone and the more intense than expected deep decline of Japanese economy mostly due to the consumption tax hike. In the emerging countries three different groups of countries can be distinguished: a first one with stable growth even during the 2013 summer turmoil (China, some emerging Asian countries, some sub-Saharan countries); a second one including countries severely hit by that market turmoil but recovering after starting some structural reforms, improving their economy and stabilizing their exchange rate (India, Mexico, Indonesia) and eventually a third group composed by countries with very weak performances and deep political troubles too (Russia, S.Africa, Turkey, Brazil, Argentina, Venezuela). The performance of the first and the second group of countries overcomes the weakness of the latter resulting in an increasing pace of growth for the aggregate as a whole, both in terms of y-o-y and of q-o-q. All in all, the emerging countries growth in the second quarter on average was higher than in the first 1.1 per cent vs 1 per cent q-o-q, but on a declining trend in y-o-y terms (4.2% vs 4.5%).

The Pmi indicators in the most recent months are further deteriorating with respect to the previous summer months for all the main industrialized countries, but they are still well above the 50, except for the Eurozone where it lies just a bit above the threshold.



More in detail, US economy is in a good cyclical position with many quantitative and qualitative indicators pointing to a buoyant third quarter growth, with a revamped domestic demand which should shield from the weak global cycle. The labour market is improving but the monthly increase of jobs is not yet sufficient to quickly absorb the new labour force entering the market and the unintentional part-time workers accumulated during the crisis.

In Japan most of the high frequency indicators and qualitative surveys point to deceleration in production in the next quarter and only the retail sales seem to be on a stable recovery path. Monetary policy is still expansionary and fiscal policy is trying to support the economy with lower taxes, higher wages, and special economic zones but still targeting a public finance rebalancing in the medium term. A soft rebound of growth is expected.

A gloomier outlook is expected for the Euro Area and recovery seems to be still at risk. The main qualitative indicators show declines and the latest soft data (IFO and ZEW) suggest a further deceleration of industrial activity in the coming months. Several factors are straining Europe’s cyclical environment, in particular the geopolitical situation (the Ukrainian crisis and the jihadist offensive in Iraq, Syria and along the Turkish border), the Russian recession, and the slowdown in China. In October, leading indicators increased their downward trajectory in a generalized manner. In particular, the German economy is worrisome. As for prices dynamics, aggregate inflation is at +0.3 per cent in September, kept particularly low by energy prices; core inflation is at 0.8 per cent in the final data, up from previous 0.7 per cent. Retail prices remain weak; for the long term we expect low inflation, but not a structural and systematic drop in prices. However, it is worth to notice that fundamentals are improving in the Eurozone, the euro is weakening and the full impact of monetary policy actions has not been perceived yet.

In the emerging countries, the PMI indices are declining and around the threshold between expansion and recession. The current cyclical position suggests a deceleration in the final quarter of the year but not a hard landing for China, some improvement for India and Asian emerging countries while the commodity net exporters are facing a challenging environment denting their growth. Inflation remains subdued worldwide, it is downward trending in India and Indonesia, but some noticeable exceptions remain in the weakest economies (Russia, Brazil, Turkey, South Africa) where it still is above the Central Bank's target.

Box 1. The weakness of the EMU in the first part of 2014: some stylized facts*

Lorena Vincenzi, from Prometeia, Rapporto di Previsione, October 2014.

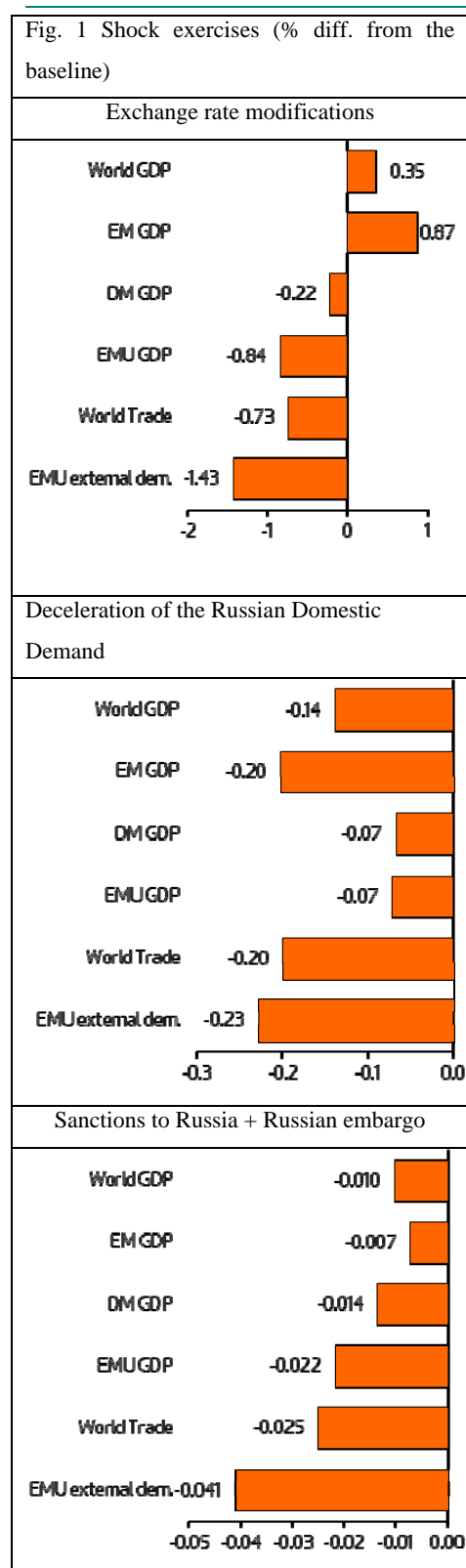
Several elements of the global environment are likely to have contributed to the weak performance of the Euro Area economy in the first part of 2014. We focus our attention on the strength of the euro, on the weakness of the economic cycle of the Russian economy and on the European sanctions on some investment goods exported to Russia matched with the Russian embargo of agricultural and food products from Europe. In order to make some evaluations on the effects of these phenomena we run some simulation exercises with Prometeia's international model, building the input for the shocks according to the development of the variables of interest in the first eight months of the year.

For the first shock we modified the exchange rate of some emerging economies and of the euro/dollar according to what was observed from January to August 2014. In this period, on average the currencies of some emerging countries experienced a strong depreciation vis a vis the US dollar (15 per cent the depreciation of the rouble, for instance) and, at the same time, the dollar weakened with respect to the euro by 4 per cent in a y-o-y terms (Tab. 1).

Tab. 1 Assumptions for the simulation exercises

(1) Exchange rates modifications		(2) Russian domestic demand deceleration	
currencies depreciation vis à vis the US\$ (% diff. from the baseline)		(% diff. from the baseline)	
Sub-Saharan Africa	15	household consumption	-1
Latin America	15	total investments	-7
C.I.S.	15		
Mediterranean countries	7		
India	7		
\$/euro	4		

The input for the second exercise moves from the observation of the deep deceleration of the domestic demand of the Russian economy, deceleration that has started since 2011, is rooted in the combination of high private debt and restrictive measures of the Central Bank in order to fight the high inflation and the strong volatility of the rouble in currency markets, and has rapidly



intensified. In 2013 private consumption grew by 3.5 per cent, whereas total fixed investments were roughly stable. In the first quarter of 2014 households consumption grew by 2.6 per cent in a yoy base and fixed investments fell by 7 per cent. In this shock we simulated the effects of a reduction of one percentage point of private consumption and 7 percentage points of fixed investments in Russia with respect to the baseline scenario.

For the third shock we looked at the relevance of the exported goods involved in the European sanctions and the Russian embargo. On the whole, the exports of agriculture products in Russia represent 0.11 per cent of the total EU exports, spanning from 3.8 per cent of its total exports for Lithuania to 0.01 per cent for UK and Slovak Republic. The investment goods under the European sanctions represent an even lower share of exports (0.018 per cent of the total). In order to simulate the effects of the sanctions and the embargo we assumed the agricultural exports of the European countries for 2014 to be equal to what observed in the first eight months, whereas we exogenously reduced the European exports of manufactured goods according to the weight of the investments goods under sanctions.

The simulations were run under the assumption of interest rates and exchange rates, different from those shocked, equal to the baseline scenario. The results of the three simulations are summarized in figure 1. In all the exercises the external potential demand for the EMU countries would reduce, due to the worsening of relative prices, domestic versus competitors, and to the lower demand from the emerging economies.

The weaker external demand would exert restrictive effects on exports, investments, employment and at last also on private consumption, reducing the level of GDP. The improvement of the terms of trade of EMU in the first shock seems to be

insufficient to exert a positive effect on the domestic demand of the Euro area countries. From one side the intra-EMU trade still represents a large share and it is not involved in the exchange rate modification, from the other side the pass-through from lower import prices to internal ones appears to be weak. It must be remembered that these results represent a sort of mechanical reactions of the

model, they do not take into account any possible deterioration of the confidence climate and the effects linked to them.

On the whole the total negative effect on the EMU GDP would come up to 0.9 percentage points. This means that, according to our model, EMU GDP growth would have been roughly double of what really observed in the first part of 2014 (0.8 per cent) if those adverse effects had not materialized.

As for world trade, the result of these simulations shows that a decline of about 1 per cent could be explained by the joint effect of exchange rate reshuffling (-0.73%), Russian weakness (-.2%) and far less sanctions & embargo (-0.025%).

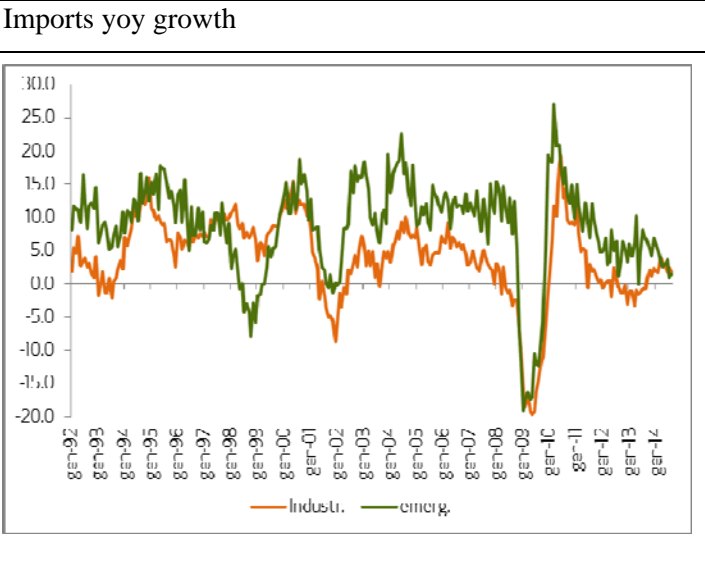
Apart from these considerations on the past, what can we draw for the future?

First, according to our model response, it seems more important the weakness of the Russian demand rather than the sanctions and embargo effects. In a forecasting horizon this means EMU could strongly suffer for the expected weakness of the Russian economy and, more in general, of the emerging markets.

Second, should the relative strength of the euro continue and even increase, another recession for the EMU cannot be excluded.

1.2 Recent trends in world trade

The World trade has been on a downward trend in terms of y-o-y growth since the beginning of the year. According to CPB data, world import (volume \$2005) growth in August 2014 was just 1.6 per cent vs 4.6 per cent in January, consistent with the decline in global GDP trend. In m-o-m terms, calculated on a 3 month moving average, data from June to August show a little recovery after four months of decline in a row.



The dynamic growth of Us and Emerging Asia imports in y-o-y terms was offset by the decline in Japan, Latin America and Central and Eastern European (CEE) countries whereas all the other world regions are more or less in line with the World average. While for Japan and Latina America difficult conditions of domestic demand are the main driver, the decline for CEE countries' imports is also partially related to the Russian-Ukrainian crisis,

being their trade links with both countries very important, and to the large content of imported

intermediate goods in the export, now subdued, The growth of emerging economies' imports from June to August is weaker than the one of the industrialized countries: this is a striking result because only during the financial crisis of Asian countries in 1998 a similar pattern arose (see chart). This pattern may reveal temporary, as it can be explained by the depreciations of many emerging countries' currencies occurred during the 2013 turmoil and not yet recovered. Currently many currencies are still 8-20 per cent depreciated with respect to May 2013 (Russia 34%, Argentina 60%). Nevertheless, at least for the medium term, other aspects must be taken into consideration, first of all the tentative growth rebalancing between domestic and external demand for many emerging countries (notably China among the others).

The exports data too reflect the exchange rate reshuffling: emerging countries exports are growing at a buoyant pace (about 4.4% yoy) mainly driven by emerging Asian countries, notwithstanding the weak business cycle of the main trading partners. Other emerging regions do not share such a successful story: the weak Eurozone demand and the Russian-Ukrainian crisis dampened the CEE countries' exports. As for many other emerging countries several factors could have impacted on their foreign demand, offsetting the depreciation advantages. as for example the dependency on the commodity exports, the mild global growth of demand, the new oil scenario shaking prices and reshaping the trade flows of the Us, and the dollar denomination of commodity prices, On the other side, export growth in the industrialized countries are barely above 0 in y-o-y terms: once again weak Japanese and European exports offset the Us ones. The former are declining in y-o-y terms and in m-o-m on 3months moving averages notwithstanding the weak yen vis à vis the us dollar, because of the competition exerted by the Asian countries with depreciated currencies while the latter are declining toward zero given also the large share of exports intra-area in the current subdued growth of the Eurozone.

Box 2: Current Account “Core-Periphery Dualism” In The Emu

By T. Cesaroni* and R. De Santis**¹

Starting from '90s while the current account (CA) of the Eurozone (EZ) as a whole has remained almost balanced starting from 90s, dispersion across CAs of member States has been increasing (Figures 1 and 2). Diverging trends among countries have become particularly evident in the post EMU period and have been characterized by persistent deficits of CA in the EZ periphery that have been complemented by growing surpluses in some core countries.

¹ *Bank of Italy, Research Department **Italian National Institute of Statistics. *The box is extracted by the paper Current Account “Core-Periphery Dualism” In The Emu (2014), Cesaroni T. and R. De Santis forthcoming on Working Papers Bank of Italy*

Figure 1. CA balance in Industrialized Economies

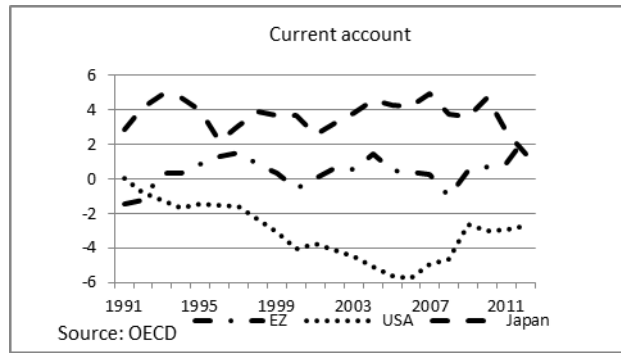
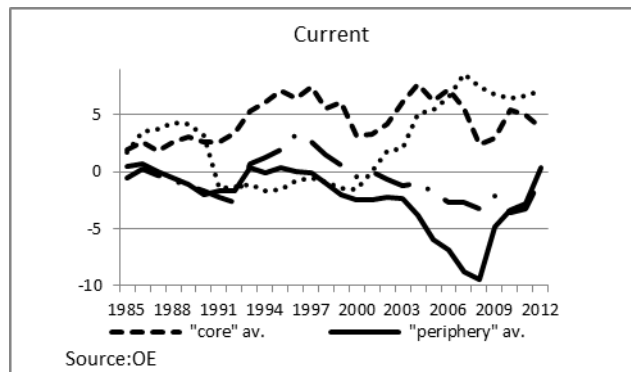


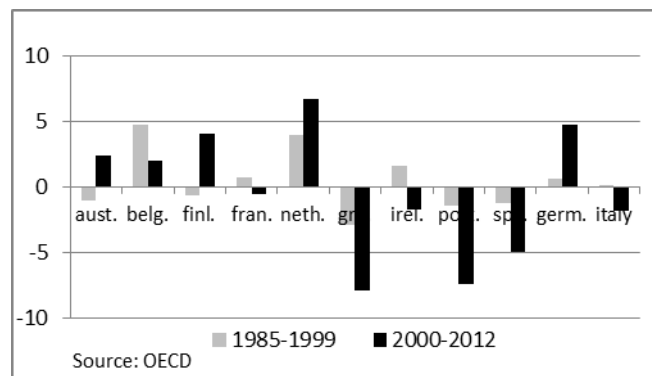
Figure 2. CA balance in Italy, Germany and the other “Core and Periphery” Countries



* the core average excludes Germany and the core periphery excludes Italy

Such heterogeneous behavior has been called “Eurozone CA core periphery dualism” and represents a shortcoming for both the long run sustainability of peripheral EU member states finances and the effectiveness of the intervention measures at centralized level within the Euro Area (Figure 3).

Figure 3. CA balance (Average) in the EMU Countries



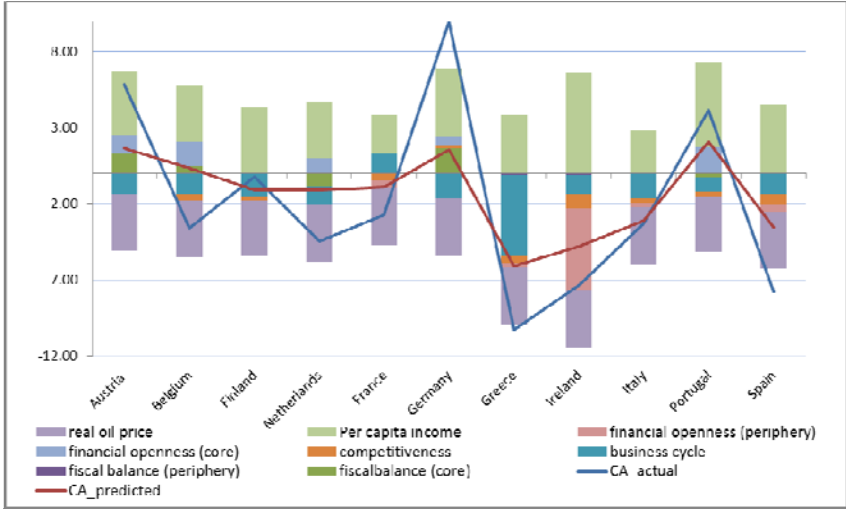
The lack of a spontaneous rebalancing process among Euro Area economies has stimulated a wide debate within the European Institutions concerning the absence of proper rules and parameters such as CA imbalances ceilings and thresholds for the single countries into the existing EU Treaties. The opportunity to implement a stricter degree of policy coordination between the Eurozone members

to prevent the future expansion of such imbalances has also been invoked and the adoption at the end of 2011 of the Macroeconomic Imbalances Procedure (MIP) within the EMU countries goes exactly in this direction.

To shed light on this issue our research investigates the determinants of Eurozone CA imbalances focusing on the role played by financial integration. The analysis considers two samples of 22 OECD and 15 EU countries, three time horizons corresponding to various European integration steps, different control variables and several panel econometric methods. We analyzed the role of financial integration in determining the dispersion in CA balances within EZ members. More in detail, we quantify this impact through the introduction of two financial integration indicators namely the Chinn ITO (2008) index and a de facto measure of capital openness in the estimates.

According to our estimates, and mostly in line with the prevailing theoretical and empirical literature, financial integration seems to have played a role in explaining CA dynamics both in the main OECD and EU countries. In particular, looking at the Eurozone and differentiating the impact of financial integration for core and peripheral countries we find evidence of a negative impact of financial integration in the EZ periphery. Moreover, this negative relationship seems to have increased in the post euro period. Also business cycle has had a growing role over time whereas competitiveness appears to have reduced its impact on CA balances overtime. (Figure 4)

Figure 4 Contributions to CA balances (1999-2007).*



*Fixed effects set to zero

The increase of foreign capital inflows in the peripheral countries indicates that the EMU was effective in integrating the European capital market. However, the home bias reduction in the financial market contributed, according to our estimates, in creating, especially in the post EMU period, a “CA core periphery dualism”.

All in all, the exchange rate pegging in the first EMU decade seems to have amplified asymmetric transmission of shocks determining also heterogeneous CA performances among European countries. This finding suggests that the recent reforms of the European Governance aimed

at determining more strict European surveillance procedures, through the reduction of the CA asymmetric imbalances in the EZ, could also improve the effectiveness of centralized policies

1.3 Main assumptions and forecasts risks

With respect to the Spring 2014 forecasts, we downward revised world GDP growth by two decimal point in 2014 and one decimal point in 2015. In 2014 the gloomier outlook is shared by Eurozone, Japan and the Us, bringing to a three decimal points downward revision for each, while for China this downward revision is smaller. In the 2015 Japan plays the major role in the downward revision.

More significant differences regard the exchange rate of the dollar, now we expect it to be stronger than it was assumed in Spring vis à vis the Euro and the Yen; in particular it is now expected to appreciate to reach 1.25 Dollars for one Euro on average in 2015. The further widening of the gap in economic growth between US on one side and Europe and Japan on the other and the expected changes in monetary policy toward a more restrictive stance in Us while Eurozone and Japan central banks are still increasing their balance-sheets in the markets are the main underlining reasons for such an assumption.

Oil prices and non-oil commodity prices in dollar terms are also significantly lower than in the Spring forecast (see next section for details).

	spring2014			autumn2014		
	2013	2014	2015	2013	2014	2015
GDP volume - world	3.1	3.5	3.7	3.2	3.3	3.6
United States	1.9	2.5	3.0	2.2	2.2	3.0
Euro area	-0.4	1.1	1.5	-0.4	0.8	1.4
Japan	1.6	1.3	1.3	1.5	1.0	1.1
China	7.8	7.4	7.1	7.7	7.3	7.1
1Euro = x US\$	1.33	1.38	1.31	1.34	1.33	1.25
Yen/ US\$	97.5	103.2	104.2	97.6	103.8	105.1
Brent oil price\$/b	108.7	106.7	103.0	108.8	103.0	91.0
Other raw materials prices \$	-5.0	1.0	4.0	-7.1	-4.0	-1.0
World trade volume	2.8	4.3	5.4	2.9	3.6	4.7

Several risks have to be taken into account.

Monetary policy in the Us may change its stance later and slower than expected by the consensus: in the October meeting the Fed confirmed the conclusion of the QE3 at the end of October 2014 and strengthen the view that interest rates will remain at such a low level for a long period and will start to increase depending on several conditions of the economy making their raise more uncertain and distant than previously expected.

On the opposite side a carry trade unwinding could affect the \$ exchange rate producing a faster appreciation if the interest rate spread between Us (where the money was borrowed) and yields invested countries shrink.

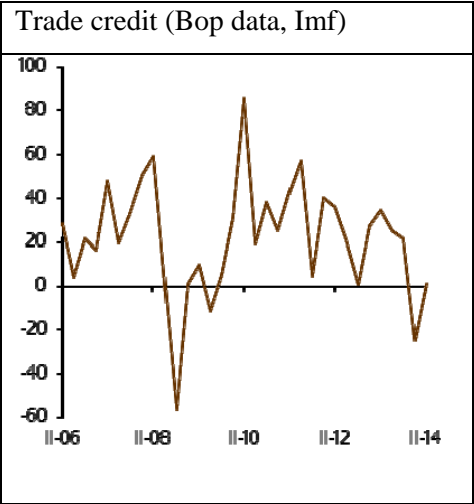
There are several areas with geopolitical risks still mounting or not yet fading: Ukraine, Isis, Libya and the Ebola consequences in Africa are to be monitored.

Deflationary pressures are mounting in many regions: the falling commodity prices and the weak domestic demand and unemployment, are they bringing to a real deflation landscape somewhere, in Europe in particular ?

2. The world trade outlook

2.1. Imports and domestic demand

With respect to April forecast we revised downward the growth of world import volume which is now expected to be around 3.6 per cent in 2014 (vs 4.1%) and 4.6% in 2015 (vs 5.3%) consistently with the downward revision of global Gdp growth and due also to the lower elasticity of trade to GDP in the last 3 years (around 1). This value is roughly the half of what observed on average in the pre-crisis years (1995-2007) perhaps suggesting that some structural changes are taking place and could become a feature of the coming years (see the box in the World Trade Report of April 2014). The rise of important and large consumer markets in many emerging countries, after years of catching up, matched with buoyant growth and income increases may bring to a diversified pattern of trade flows, with respect to the usual one: from Asian-factory countries to western-consumer ones. This pattern



could be reinforced by the narrowing gap between salaries in developing and developed countries producing an incentive to keep production at home for the main importing industrialized countries. The new evolving scenario in the oil supply could also affect trade in two ways: less oil trade flows between the traditional suppliers and users but also a different relative costs landscape for manufacturers, in Us in particular, with some possible “reindustrialization” in this country. It’s far from clear the role of international trade credit in the most recent quarters but during the trough of the

Great Recession it played an important role in determining the collapse of trade. The process of normalization in the banking and credit systems at world level is not complete and risks in this respect may hurdle trade in some way. Moreover after years of strong internationalization of supply chains producing an intense traffic in intermediate products the country

risk (involving currency, credit, social situation etc.) perceived by multinational producers may have increased, stimulating a reversal of the former trend.

The overall growth of global trade combines an increase in industrialized countries' imports of 3.1 per cent and 3.7 per cent respectively in 2014 and 2015 and a larger increase in emerging economies' one, around 4.1 per cent and 5.7 per cent. In the latter group, the depreciation of the exchange rate in many countries in 2014 is going to lower the annual average result but the relatively higher growth in their domestic demand in comparison with industrialized countries still makes them more dynamic importers. In this group Asian countries play the main role even if Chinese imports increase is projected around just 3 per cent this year and 6.5 per cent next, more in line with domestic demand.

The current bad situation of the business cycle in Latin America and expectations of a mild recovery of its domestic demand in 2015, coupled with a huge depreciation of many currencies of the region in 2014, will constrain the import growth this year under 3 per cent and around 4.4 per cent in 2015 when exchange rate will somehow rebound. For CEE countries, fiscal policy may loosen the reins a little while the diminishing inflation leaves room to the monetary authority to support the economy, too, to give some relief to the private debt burden and to offset the weakness of Eurozone partners affecting domestic activity. The Russian economy is very weak, and the geopolitical crisis with Ukraine just adds some problems to an already gloomy outlook, giving a further downside impulse to consumption and investment. The imports of the two regions as a whole are expected to grow just around 1.5 per cent this year and 3 per cent the next accordingly.

In the advanced economies group, the domestic demand will grow in Us at a buoyant pace, making the country one of the most dynamic importers in both 2014 and 2015. The Q2 and Q3 national account data and high frequency soft and hard indicators point to a sustained growth of domestic demand in the coming quarters, driven by the good performance in the labour market, stimulating imports projected to grow around 4.5 per cent this year and 5.5 per cent in the next.

For Japan and the Eurozone the domestic demand is still expected to be weak and the currencies to depreciate vis à vis the dollar. In Japan monetary policy will remain expansionary whereas fiscal policy is financing with the recent consumption tax hike (and maybe a further one in October 2015) some support packages to avoid a collapse of the domestic demand till 2015, and at the same time is paving the way for a medium term fiscal rebalancing. The large increase in imports this year (6%) is largely due to the carryover of the first two quarters, while in the next year the dynamic is expected to be much smaller (1.9%). High unemployment and weak global economic cycle will burden on the growth rate of the Eurozone domestic demand in 2015, despite the extraordinary expansive conditions of the monetary policy and the less restrictive stance of the fiscal one, both of them expected to persist the next year. The slow absorption of the huge amount of unemployment will exert only marginal positive effects on the formation of household disposable income, whereas the uncertainty on the strength total final demand will contribute to a moderate growth of fixed investments. Imports are expected to grow around 2.9 per cent (thanks to a high carryover) this year and to accelerate a bit in

2015, in line with the forecasted slow recovery in GDP, with Germany leading the group together with peripheral countries that have been lagging behind in the latter years.

International import prices for goods are expected to decrease in dollar terms in both 2014 and 2015 (-0.3 per cent and -0.4 per cent respectively). Deflationary pressures worldwide, falling commodity prices and a strong dollar push in this direction. Nevertheless, the forecasted depreciation of the Euro vis à vis the dollar in 2015 implies an increase (1%) in import prices in euro for the Eurozone as a whole, that will be shared by all countries ranging from 0.2 per cent in Portugal to 2.2 per cent in Spain due to the different product mix of imports.

2.2. Exports and price competitiveness

Export growth is expected to increase in 2014 and 2015 with respect to 2012 (3.5% and 4.8%) but is downward revised in comparison with the Spring forecast by 1 percentage point and 0.6 p.p. respectively. As a whole, emerging countries are expected to overcome the performance of the industrialized ones in both years (4% vs 3.1% growth in 2014, 5.9% vs 3.7% in 2015) thanks mainly to the depreciation of their currencies which are now stabilizing at a more competitive level. The good performance of the exports is shared by all the regions even if with some differences. CEE countries including Russia have the relative lower export growth in 2014 and 2015 (3% and 4.2%). Within this group the CEE countries will suffer the weak demand of the Eurozone partner and the exposure to Ukraine and Russian markets, while Russia will also be negatively impacted by the western countries' sanctions and the increased perceived risk associated to it as a business partner. We expect Emerging Asia will raise export prices in dollar in 2015 mainly because of high inflation in India coupled with a stable currency. Despite this, export volume growth could reach 6.8 per cent in 2015 thanks to the good economic growth of the region and the subsequent intra-region foreign demand; buoyant demand in Us will also help. Latin American countries will exploit the depreciation of the currency reaching a 5.9% increase in exports. Given the high domestic inflation rates a genuine gain in competitiveness has low probability, while the declining export prices (-2% in dollar terms in 2015) will be mainly the result of falling international prices of commodity, as they represent a large share of this region exports.

All in all, commodity net exporter countries will be able to only partially exploit any currency depreciation to gain competitiveness: prices of these exports are often dollar-denominated and determined on international markets preventing significant price making by the exporters and in this case the export price is a biased indicator of competitiveness.

Industrialized countries' exports are projected to accelerate mainly thanks to the US performance (3.5% growth in 2014, 5% in 2015). Us economy will exploit the mild inflation rate and the lower prices of energy to decrease export prices in both years. Given the expected depreciation of the euro, export prices of euroland in dollar are forecasted to fall in 2015 by around 5.5 per cent, with negligible differences among countries given the quite homogeneous inflation landscape. Exports growth will be

dampened by the large share of intra-area trade, where economic growth and therefore demand for imports will be subdued. As for Japan the exports will grow at a slow pace given the high competition of Asian neighbours and the increase in export prices due to higher domestic prices not being offset by sufficient exchange rate depreciation.

2.3. Market shares developments

In this scenario in 2014 and 2015 euro area as a whole will lose market shares by 0.3 per cent and 1.4 per cent, respectively but the country detail reveals a large group of losers and some few winners. In particular Spain, Germany, Ireland and Portugal are expected to gain some points in both years while all the other countries will suffer a decrease, particularly strong for Italy and France. The correction in terms of labor costs, and the product composition of trade will contribute determine this ranking whereas the geographic allocation of trade would be more favorable for Italy and France (in addition to Austria, Netherlands, Portugal, Greece and Slovenia) determining for them a higher potential foreign demand. The other EU non Eurozone countries will lose some market share in 2014 and 2015 apart from Sweden whose weak currency will favour an increase of export beyond potential demand in 2015.

Japan and Us also are expected to gain export shares, the former in both years, the latter only in 2015 but for Japan the potential demand in both years will grow slowly around 1.6% per year. Among emerging countries, China the only country for which potential external demand is available, will continue to gain shares.

<i>(in percentage points)</i>					
		2012	2013	2014	2015
Euro area (extra trade only)	Export growth	-1.6	0.7	2.9	3.3
	Foreign demand	3.2	1.9	3.3	4.7
	Export market share	-4.8	-1.2	-0.3	-1.4
UK	Export growth	3.4	0.5	-0.5	3.0
	Foreign demand	3.1	1.2	3.0	3.5
	Export market share	0.3	-0.7	-3.5	-0.5
Denmark	Export growth	0.6	1.5	2.5	3.0
	Foreign demand	2.0	0.2	2.5	3.8
	Export market share	-1.4	1.3	0.0	-0.8
Sweden	Export growth	-2.1	-2.8	1.7	5.0
	Foreign demand	2.5	1.3	2.4	3.6
	Export market share	-4.6	-4.1	-0.7	1.4
US	Export growth	3.7	2.8	3.5	5.0
	Foreign demand	3.1	1.8	2.3	3.2
	Export market share	0.6	1.0	1.2	1.8
Japan	Export growth	-3.8	-0.6	5.0	2.5
	Foreign demand	3.8	0.7	1.7	1.6
	Export market share	-7.6	-1.3	3.3	0.9
Switzerland	Export growth	1.6	0.8	3.5	3.4
	Foreign demand	3.0	1.1	2.7	3.4
	Export market share	-1.3	-0.3	0.8	0.0
China	Export growth	6.8	9.6	6.5	6.8
	Foreign demand	3.6	1.3	2.8	2.8
	Export market share	3.2	8.3	3.7	4.0

(in percentage points)

		2012	2013	2014	2015
Germany	Export growth	0.6	1.5	3.0	4.5
	Foreign demand	2.4	1.0	2.5	3.3
	Export market share	-1.8	0.5	0.5	1.2
France	Export growth	-0.7	1.6	1.7	2.5
	Foreign demand	3.1	1.3	3.1	4.3
	Export market share	-3.8	0.3	-1.4	-1.8
Italy	Export growth	-7.6	0.6	1.5	2.0
	Foreign demand	3.1	1.9	3.3	4.2
	Export market share	-10.7	-1.3	-1.8	-2.2
Spain	Export growth	-7.2	7.2	3.3	6.0
	Foreign demand	3.1	1.3	2.6	3.3
	Export market share	-10.2	5.9	0.6	2.7
Netherlands	Export growth	3.6	0.3	2.7	3.5
	Foreign demand	2.4	1.1	2.8	4.2
	Export market share	1.3	-0.8	-0.1	-0.7
Austria	Export growth	-1.4	3.1	2.3	3.5
	Foreign demand	2.4	1.2	3.1	4.6
	Export market share	-3.8	1.9	-0.8	-1.1
Finland	Export growth	-4.0	0.4	0.2	2.3
	Foreign demand	2.2	0.8	2.8	4.0
	Export market share	-6.2	-0.4	-2.6	-1.7
Belgium	Export growth	-0.7	2.0	2.5	3.0
	Foreign demand	2.9	1.0	2.6	3.5
	Export market share	-3.6	1.0	-0.1	-0.5
Greece	Export growth	-14.8	2.7	3.4	4.0
	Foreign demand	3.1	1.7	3.4	4.6
	Export market share	-17.9	1.0	0.0	-0.6
Ireland	Export growth	-2.9	1.1	5.2	4.0
	Foreign demand	2.1	0.8	2.4	3.8
	Export market share	-5.0	0.3	2.8	0.2
Luxembourg	Export growth	-3.7	1.4	2.3	5.4
	Foreign demand	2.2	1.0	2.5	3.5
	Export market share	-5.9	0.5	-0.2	1.9
Portugal	Export growth	-6.4	5.0	4.5	4.7
	Foreign demand	3.2	1.8	3.8	4.6
	Export market share	-9.6	3.2	0.7	0.1
Slovenia	Export growth	-5.1	1.0	2.0	3.1
	Foreign demand	1.7	1.1	2.9	4.5
	Export market share	-6.8	-0.1	-0.8	-1.3

3. Commodity price outlook to mid-2016

3.1 Recent price developments

World commodity prices, measured by the dollar-based HWWI-index (the weighted average of 30 commodity prices) declined sharply by 11 per cent from June to September 2014. A decline took place in all the main index sub-groups and most commodities. Prices rose only for aluminium, zinc, lead, wood pulp, cocoa, rice and hides. A common feature behind the general price fall was the strengthening of the dollar, which has an inverse, loose relationship to US dollar prices of commodities. However, good weather or continuing strong rise of supply were also important reasons behind some price falls. A price decline of dollar prices was partly due to a 5 per cent appreciation of the USD vis-à-vis euro (effectively 2.5 per cent) in the same period. World commodity prices declined by 6 per cent in terms of euro.

The crude oil price (Brent) fell from about 111.8 USD/bbl price in June to 97.4 USD/bbl in September and to about 85 USD/bbl in October. An American price of crude oil (WTI), with recent roughly 5 USD discount to Brent, decreased a bit more to about 80 USD/bbl by October. An average of Brent, WTI and Dubai quotations decreased by 12 per cent from peak in June to September. A decline resulted from a more relaxed market fundamentals: rising supply, slowing demand growth and a strengthening of the USD in the third quarter. North American shale oil production had increased somewhat faster than expected and OPEC supply was also rising, while a demand in emerging markets, particularly in China, was moderating.

A large decline of the crude oil price was a surprise as it was widely expected that Saudi Arabia would absorb the unpredicted excesses. Instead Saudi Arabia seems to defend its market share, and lower prices resulted in soft markets. World coal markets have faced a heavy oversupply already since the beginning of 2011 with a sharp downward price trend. Oversupply results from a substantial slowdown in import demand of coal coupled with abundant supplies due to rising export capacities. Weak demand for natural gas in Europe has been reflected recently in decreasing average monthly prices of imported natural gas in Europe, where the indexation of gas price to oil and oil products has been rapidly reducing.

Significant excess capacity of steel production dominates the steel and steel raw materials' market outlook. In spite of overcapacity, the capacity and production of steel are continuing to support the demand for steel making raw materials. Meanwhile, investments in low-cost iron ore and coking coal capacities have also strongly risen contributing to a marked rise of supply as a lagged reaction to the record high iron ore and coking coal prices in the beginning of 2000's. The price of iron ore has declined strongly from 155 \$/t in February 2013 to 80\$/t in October 2014 reflecting the rising overcapacity like in the case of coking coal.

Price development of non-ferrous metal prices has been heterogeneous in 2014 until September. Prices of Aluminium and Zinc rose from spring 2014 to summer to stabilise in September. The price of nickel reacted strongly to the Indonesian export ban on ore and concentrates exports in early 2014, but stabilized in May and turned to a marked decline in September on oversupplied markets. A ban was later somewhat relaxed.

Agricultural prices measured with the HWWI-index have declined since April up to September by 3 per cent. The price developments among the group varied significantly. The prices of cotton and rubber declined by

around 28 per cent and the price of wool by 4 per cent from their local peaks in 2014 dragged by ample supply. Meanwhile the price of wood pulp rose by 7.5 per cent by September from the peak in September 2013 lifted by the tightening markets due to past consolidation of the industry. Wood prices declined by 7 per cent since March 2014, although the US demand is rising and European demand shows signs of bottoming out.

Food prices turned to rise in the beginning of this year by May, but declined by 28 percent from May to September due to better harvest outlook on well supplied markets. International wheat prices declined by 25 per cent during summer as markets remained well supplied and expectations built for another bumper crop in 2014/15. International coarse grain prices were also rising in the early part of this year, although at more moderate rate than quotations for wheat. In the third quarter maize prices fell by 17 per cent. The South American soybean crop was jeopardised widely in the beginning of 2014 by dry weather and prices reached the highest level since ten months. However, rainfalls followed later in Brazil and Argentina, which calmed the soybean markets and prices started to decline again due to the better crop outlook.

Beverage prices are generally strongly affected by the changes in weather conditions and outlook, which determines the sizes of harvests. In the beginning of this year extremely dry weather in Brazil pushed Coffee prices 67 per cent upwards by October. Cocoa prices were rising steadily during the year up to September by about a quarter pushed by the expected supply deficit, which was strengthened by the uncertain impact from the Ebola virus disease on the production of the main producers in the Western Africa. In the course of 2014, world sugar prices remained structurally under pressure as the market is expected to remain in surplus in 2014/15, although only by a small margin, and inventories are abundant.

There are common and specific factors behind the general fall of commodity prices. General features include the worsening economic outlook in several emerging markets, particularly China as well as in the Euro Area. China has been and still is the dominant driver in most commodity markets and even fairly modest changes may affect commodity markets strongly. The GDP growth of China has permanently decreased from around historical 10 per cent range to 7-7.5 per cent. Industrial production growth has moderated accordingly from 2-digit growth rates to below 10 per cent. There is a risk of further deteriorating of Chinese growth, although it is generally assumed that China is able to fine-tune the economic development by its policy tools. However, the Chinese economic outlook worsened in spring and the demand for commodities cooled more than expected as the government targeted to dampen the overheated construction markets and ease a related local government debt problem. Meanwhile government aims to rebalance the total demand towards more sustainable pattern with higher share of consumption, which will imply a slower economic growth. Moderation of the Chinese demand and outlook was one of the main reasons behind the relatively large commodity price declines.

Both the development and the outlook of the Euro Area have disappointed as well. It looks obvious that the Ukrainian crisis, though the direct effects are not very significant, has increased the uncertainty and made economic agents more careful in spring 2014 and consequently dampened the weak recovery since spring 2012. The uncertainty relating to the crisis in Ukraine seems to be very persistent and unpredictable and risks the outlook. The demand for commodities in industrialised countries, particularly the US, but also the UK, have got more momentum, though it will not compensate the effects of weaker growth in emerging markets.

While the worsened demand and demand outlook for commodities have in part cooled the commodity markets, the rising supply has in many cases strengthened strongly the effect. For example in case of crude oil, the rising

US shale oil production and rising supply in Russian and Middle East softened the oil markets. Prices of iron ore, steam coal and coking coal declined markedly since early 2014 to autumn mainly due to strongly rising supply, which is a lagged effect response to the strong price rise in early 2000's. Cases of trade policy measures, which may strongly affect the world market prices like Indonesian export ban on ore and concentrates exports or rebar imports to the US have become more popular. And finally the changes in weather and weather reports have affected strongly on many food and beverage prices from wheat to coffee.

Graph 3.1 World commodity prices in USD and Euro

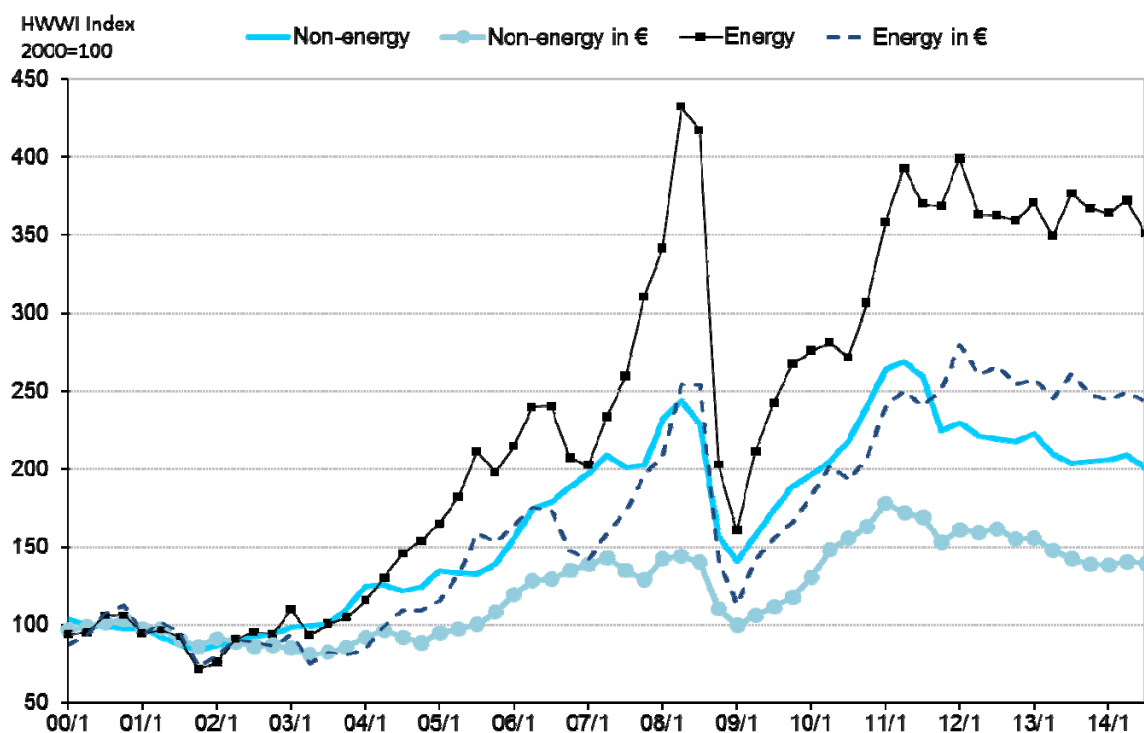


Table 3.1 Spring 2013 commodity price forecasts and realizations

Spring 2014 forecasts and realisations								
	USD terms				EUR terms			
	2014 Q2		2014 Q3		2014 Q2		2014 Q3	
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual
Quarterly percentage changes								
All commodities*	-1	2	0	-5	-1	2	0	-2
Total excl. energy	4	2	1	-4	3	1	1	-1
Food total	10	8	2	-14	9	8	2	-11
Cereals	8	6	-3	-18	7	6	-3	-15
Tropical beverages, sugar	17	11	8	-1	16	11	8	2
Oilseeds, vegetable oils	6	7	-1	-22	5	7	-1	-19
Industrial raw materials	1	-1	0	1	1	-1	0	4
Agricultural raw materials	1	-1	1	-3	1	-1	1	1
Non-ferrous metals	4	4	1	6	3	4	1	10
Ferrous raw materials	-4	-12	0	-9	-5	-12	0	-6
Energy raw materials	-2	2	0	-6	-2	2	0	-2
USD/EUR	1.31	1.37	1.32	1.33				

* HWWI index, total

3.2 Overview of the outlook for commodity prices

The deteriorating world economic outlook particularly in emerging markets and China will depress world commodity prices in 2014-2015. Prices turn slowly upwards in the course of 2015. However, prices decline in 2014-2015 by -4 and by -2 percent in the case of total index and -4 and -2 per cent in the case of non-energy prices. Steep decline of total index in 2015 is to a large extent due to a carry-over of the sharp decline of energy prices during the year 2014.

Crude oil and coal price declined sharply in autumn 2014

Crude oil prices collapsed in the third quarter of 2014 after trading at around 110 US\$/b about three. In September, crude oil prices fell for a third month straight with Brent breaking through \$90/b in October, on still abundant supply and anaemic demand growth.

Global oil supply and demand fundamentals considerably relaxed in the summer months, on rising the US supply and on downbeat consumption data from Europe, Japan and China. Moreover, OPEC oil output grew at a rather intense pace in the third quarter. Based on conventional wisdom, at that point Saudi Arabia should have lowered production to counter the oil price decline. However, irrespective of a global oil balance clearly headed towards oversupply, Saudi Arabia did not take any measure to stop the price decline, rather aiming at keeping its market share unchanged. This paved the way for a race to the bottom with other suppliers, as Saudi price cut was quickly replicated by Iran and Iraq, both aiming to maintain their market share, eventually triggering a steep price decline.

Now, the crucial question is whether and how the other OPEC countries will act collectively to halt the price decline. Oil ministers are scheduled to meet for on Nov. 27 to decide their output target for the first half of 2015, however, given the plans from Iraq, Iran and Libya to raise their production towards potential levels, the case for a collective cut looks unconvincing. It is expected that OPEC and Saudi Arabia tolerate lower price level of crude oil to diminish the production incentives of its high-cost producers e.g. in the US.

The sharp downward price trends at the world coal markets that have prevailed from the beginning of 2011 reflect heavy oversupply resulting from substantial slowdown in import demand coupled with abundant supplies due to rising export capacities. Generally, the demand outlook is relatively better for the market of coking coal than steam coal. On the supply side, producers of coking coal have proven more successful in implementation of necessary cutbacks. As a result, the price of coking coal is expected to turn to a small rise after 21 per cent drop this year. The price of steam coal will decrease in 2015 by 10 per cent after 17 per cent drop in 2014. Risks of even lower prices are still obvious in the case of steam oil due to sustained slide in price quotations of competitive fuels like oil and natural gas. The wholesale price formation of natural gas in Europe has been characterized by a continuous move away from oil-indexation towards more gas-on-gas competition between 2005 and 2013. At present the spot market share is likely to total some 70 per cent in North-western Europe, whereas much lower in the Mediterranean. Maturing European natural gas market as well as some other factors like

unfolding production of shale gas in the US, increasing supply of LNG and the global financial and economic crisis in 2008 and 2009, had an impact on the market. The average monthly price of natural gas in OECD Europe is expected to continue to be flat in the fall 2014 producing a 15 per cent decline for the year 2014. In 2015 a further 11 per cent fall is likely.

Non-ferrous metals' prices stabilizing

Several LME non-ferrous metal prices, particularly aluminium, lead and zinc prices increased from May to August 2014, boosted by improved Chinese economic data, thanks to support from mini stimulus measures by Beijing. In September, all the base metal prices declined as Chinese demand remained relatively high, despite a slowing down of the residential construction sector. In the USA, automotive and residential construction sectors are strong. Higher demand, less new capacities and the Indonesian ore export ban, though somewhat relieved, should contribute to the rise of prices metals, but high stocks and some surpluses may still limit the increase.

On the wave of a stream of lackluster macro data in the summer months, the copper price eventually reversed the rising trend that took place in the second quarter of 2014. Indeed, growth in Chinese FAI, industry PMI and industrial production were generally weaker in July and August, compared to the previous months. Rising US dollar, lower energy cost and disappointing macro data from other important consumers further contributed in dampening prices.

Generally speaking, the big amount of bearish factors from the demand side should have triggered a substantial selling activity. Nonetheless, despite the ongoing economic activity troubles, Chinese copper final consumption appeared quite healthy in the past few months. It can't however be excluded that inventory accumulation in China could have contributed to underpin the copper apparent demand, covering an actual weakness in end-use consumption.

Global refined production should hover around 23 Mt (+4 %). For what regards the demand side, according to our macroeconomic outlook, China will confirm the pivot of the market; its economy should keep on expanding between 7.1 and 7.3 per cent in the forecast horizon, underpinning a moderate increase in domestic copper consumption. Globally, we expect global copper demand to grow at below 4 per cent rate. Moderating scrap market tightness and declining use of copper as collateral should contribute to temper the supply-side related risks; however, until a recovery of LME inventories, the copper price will hardly experience a strong shift from the current trading range.

Along with nickel, tin suffered the consequences of the restrictive export policies implemented by Jakarta in the last couple of years. However, restrictions on tin were designed in a different way, eventually producing relatively less tension on prices. Much of the credit for the relative price stability goes however to the rise of Chinese supply. Indeed, the rise of domestic mine production and ore imports from Myanmar allowed China to offset the lack of Indonesian shipments, eventually pushing up refined exports and gradually reducing tensions in the global metal balance. Inventories at London Metal Exchange reversed the downward trend in place for several months, beginning a recovery path which lasted until late August.

In more recent observations tin has continued to lose ground, reaching a level that appears difficult to sustain over the medium term. Most of Indonesian suppliers have suspended their sales, an attempt to underpin the LME quotes. However, until now, the fall of LME inventories observed in September hasn't yet impacted on prices. It's probably a matter of time before the global demand growth, driven by healthy industrial consumption will trigger a price recovery. Even though the global tin availability should result ample enough to offset the expected rise in consumption, an otherwise balanced market could easily become undersupplied, depending on Indonesian policies. Broadly speaking, we expect a recovery in LME price in the coming months.

Steel markets have a significant overcapacity

Significant excess capacity of steel production dominates the steel market outlook. While the old and inefficient capacities are shut markedly especially by China, the dominant producer, more the new capacities have come available due to past strong investments. Both the capacity and production are still expected to continue growing. As a result to growing flow of Chinese steel to world markets with coincident trade disputes will continue to be a big concern for the producers and may intensify the ongoing other trade disputes. Substantial reduction of capacities is necessary to normalise the steel markets.

The price of the US reinforcing rounds, which the group uses as an indicator for the steel market, is expected to be flat during the forecast period and the scrap price, dominant raw material in rebar production, follows the price of rebars.

The price of iron ore has declined dramatically in the course of 2014 in spite of ongoing growth of steel production, as particularly the low-cost Australian producers have increased their supply massively. The price of iron ore declined from 135 dollars per tonne in the end of 2013 to around 80 dollars per tonne by the autumn 2014. The price is expected to have reached its bottom and continue flat during the forecast period, although the downward risk is significant due to low unit costs of main producers.

Forest products' prices faring better than average agricultural raw materials prices

World cotton production is exceeding consumption consecutively for four years, but stockpiling policies in China had kept world prices relatively high. For the 2014–15 season the Chinese Government will change its strategic stockpiling policy and will replace it with direct income support to producers. In 2014–15 cotton prices are forecast to decline by 8 and 11 per cent, respectively. This forecast price decline mainly reflects an expected increase in world (excluding China) cotton stocks stemming from production exceeding consumption for the fourth consecutive year. Forecast large stocks of world cotton carryover in 2013–14 and 2014–15 are expected to place downward pressure on prices. Moreover, if China were to release its cotton stocks onto the world market faster than currently assumed, world prices would be significantly lower than currently forecast.

Wool prices stabilized somewhat during the 2013–14 season after a decline in 2012 and a spike in 2011. Supported by a depreciating Australian dollar, the average Eastern Market Indicator (EMI)

increased by 3 per cent in 2013–14, but declined in US dollar terms. In 2014-15, Wool production and supply are forecast to decline and limited demand growth in key textile and apparel markets is expected to constrain upward pressure on prices. EMI is expected to increase by 5 per cent in 2014-15. The global surplus of natural rubber is expected to shrink in 2015 as demand expands and farmers reduce tapping because of decreasing prices. However, Thai and Malaysian rubber producers are supporting the Indonesian proposal to set a \$1.50 per kg minimum. Regardless of a price floor, a strengthening demand outlook should lead to gradual recovery of prices in 2015. However, a fall in crude oil prices puts pressure on prices. In winter 2013/14, the price of pulp was supported by the rising paper production and weather related logistic problems especially in the US. The price of soft wood pulp rose rapidly by roughly 50 dollars per tonne (in Europe) from summer 2013 to the beginning of the year 2014. Since the beginning of the year low inventories supported the price, when general economic outlook deteriorated, and the price was relatively stable in February-October 2014. A solid demand outlook for the NBSK pulp, low inventories despite strengthened USD are expected to push a NBSK price a bit upwards in the last quarter of 2014. Prices will continue stable until they start a slight rise in the course of 2015 given the strengthening of the world economy. The price rise is cushioned by increasing production of both the NBSK and the other pulp qualities and the intensifying competition of less expensive hardwood pulp.

During the first three quarters of 2014 sawn wood prices were relatively stable. They are currently still lower than before the financial crises starting in 2008. Prices peaked at around 360 USD/ m³ in mid-2007 and fell during the crisis down to 220 US-Dollar/ m³. In the third quarter of 2014 sawn wood prices were around 300 US\$. It is expected that a constantly higher demand from Asia and particularly from the U.S. The construction industry in Europe is bottoming out and there are signs of stabilisation. Supporting by the strengthening demand, sawn wood prices are likely to increase in 2015 and 2016.

Cereals prices in a decline

Cereals prices are forecast to stabilize amid more balanced markets. International grain prices have resumed their downward trend in the summer of 2014 after they had temporarily gained some ground in spring when the political tensions in the Black Sea region have led to concerns about future availability of wheat and coarse grains given the substantial role of Ukraine and Russia as exporters in world markets. However, the crisis in the Ukraine so far does not seem to have actually affected exports from the Black Sea region, and with a sizeable surplus in the grain market prices came under renewed pressure. While the markets are expected to become more balanced going forward, supply is expected to remain ample in the market year 2014/15 given that the level of inventories is relatively high. Thus the upside to prices seems limited for the time being. For 2015 we expect world market prices of cereals to decrease on average by 5 per cent, following a decline over the fifth in 2014.

Following a period of recovery in spring, international wheat prices during summer declined again as markets remained well supplied and expectations built for another bumper crop in 2014/15. The forecast for global wheat production in the market year 2014/15 (July – June) is for another increase

following last year's record of 713 million tons despite a reduction of output in the US by 5 per cent. Increases in output are expected to be particularly strong in Russia (+15 per cent to 60 million tons) where growing conditions through the year have been almost ideal. Wheat consumption is projected to rise modestly by 1.5 per cent mainly due to increased human consumption, leaving the market in surplus for a second consecutive year. Given already relatively high levels of inventories, downward pressure on wheat prices is expected to remain for the time being. Assuming normal (and generally less benign) growing conditions going forward, a more moderate view of future production could give some support to prices. But there is also a significant risk that positive production outlook in an oversupplied market could lead to another drop in prices over the forecast horizon. For 2015 as a whole, we expect a year-on-year decline of prices by around 10 per cent, the same rate as envisaged for the current calendar year.

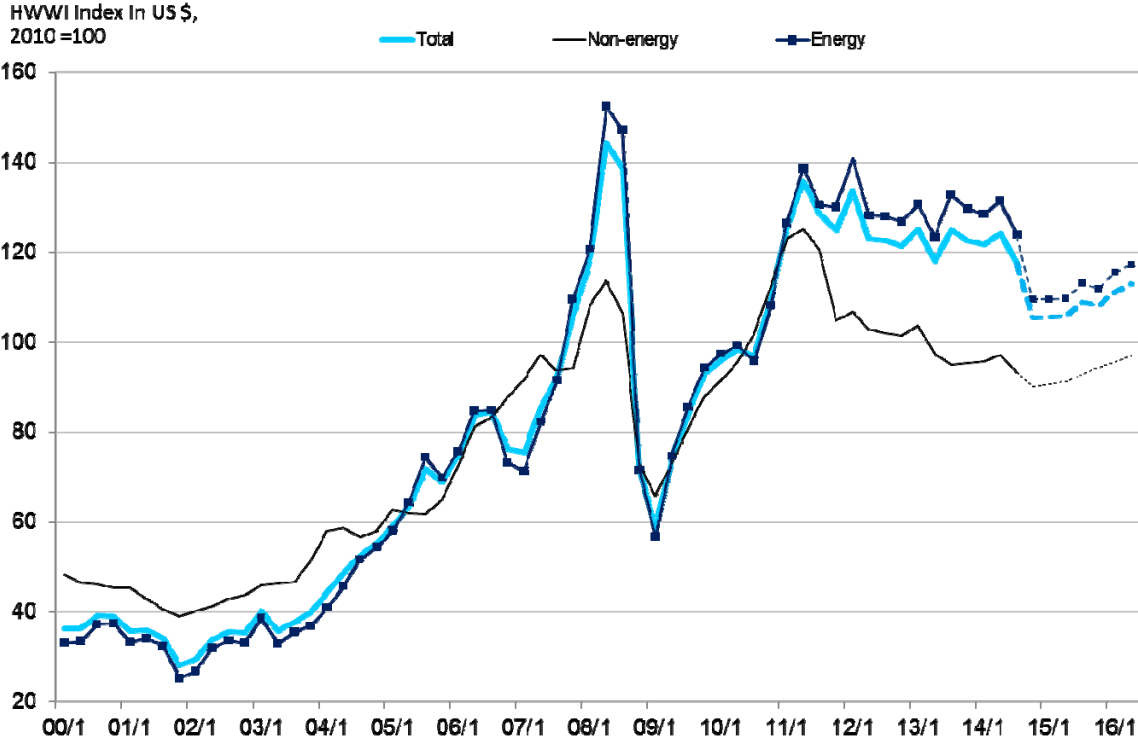
International coarse grain prices have also been rising in the early part of this year although more moderate than quotations for wheat. During summer prices then fell steeply, by more than 25 per cent. While maize production in 2014/15 is forecast to decline from the previous record, the reduction is expected to be only 1 per cent and the harvest should still be the second largest on record by a substantial margin. Maize consumption is projected to rise by 2 per cent with feed use especially buoyant. Use for ethanol production which had been a major driver of US maize consumption in recent years is by contrast expected to remain flat. In 2014/15, the market is expected to remain in surplus, although only slightly, which should prevent prices from rising significantly. A substantial further decline of prices, however, seems also unlikely given that input costs have risen substantially in recent years. On average, maize prices in 2015 should be 15 per cent lower after a decrease of 28 per cent in 2014

International rice prices continued to decrease until mid-2014, but have picked up in recent months. Production in the market year 2014/15 is estimated to match the previous year's record level of 476m tons, but output in the five main exporting countries is expected to decline by 2 million tons with a substantial reduction in the Indian production due to both lower yields and reduced area. Consumption is seen to continue to grow at a rate of close to 2 per cent. With demand outpacing production, the market which had been almost balanced in 2013/14 is expected to slip into deficit. This should fundamentally support prices in the next year. We expect, however, that the Thai government will utilise any sustained period of higher prices or increased demand on the world market to unload some of its rice inventories accumulated in recent years thereby limiting the upside to prices. All in all, rice prices are forecast to increase by 3 per cent following a drop of almost 18 per cent in 2014.

Coffee prices started to rise strongly in the first quarter of 2014. Daily prices increased from less than 105 US cent/lb to around 175 US cents/lb by the beginning of October 2014, corresponding to a price increase of 67 percent. This strong price increase was caused by extreme dry weather in Brazil which started in last December. The outlook of a global supply deficit in the next two seasons will support the coffee prices in 2015 and 2016. In the forecast horizon, crop losses in main producing regions and

the increasing coffee demand will strengthen the fear of a global shortage. Cocoa prices increased steadily between the January and the middle of September this year reaching over 25 per cent growth during the period. In the middle of September 2014 cocoa prices reached a three year high at nearly 3400 US-Dollar per tonne. Worries about the further spread of the Ebola virus and its possible impact on the cocoa production in West Africa intensified the price increases as West Africa accounts for around 70 percent of the global cocoa production. The harvest in the next season 2014/2015 is expected to be good, but worldwide cocoa grindings will grow even faster ending

Graph 3.2 Aggregate price developments up to mid-2016



Graph 3.3 Price forecasts for commodity groups in USD and Euro

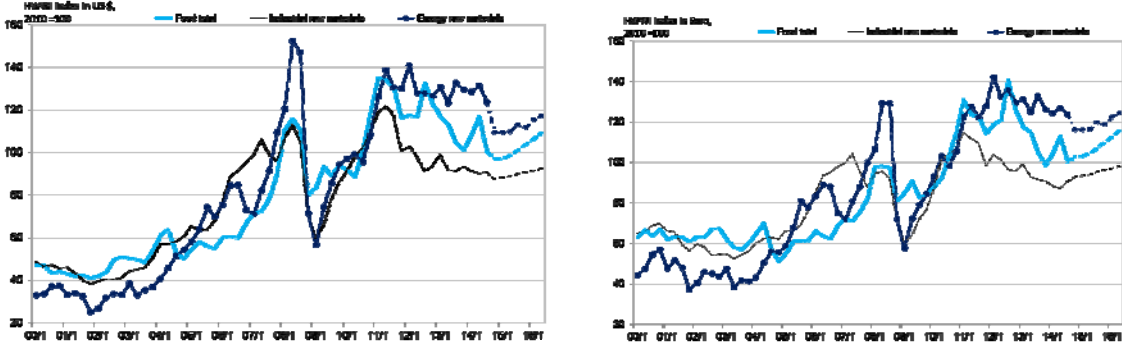


Table 3.2 Aggregate commodity price development 2012-2015

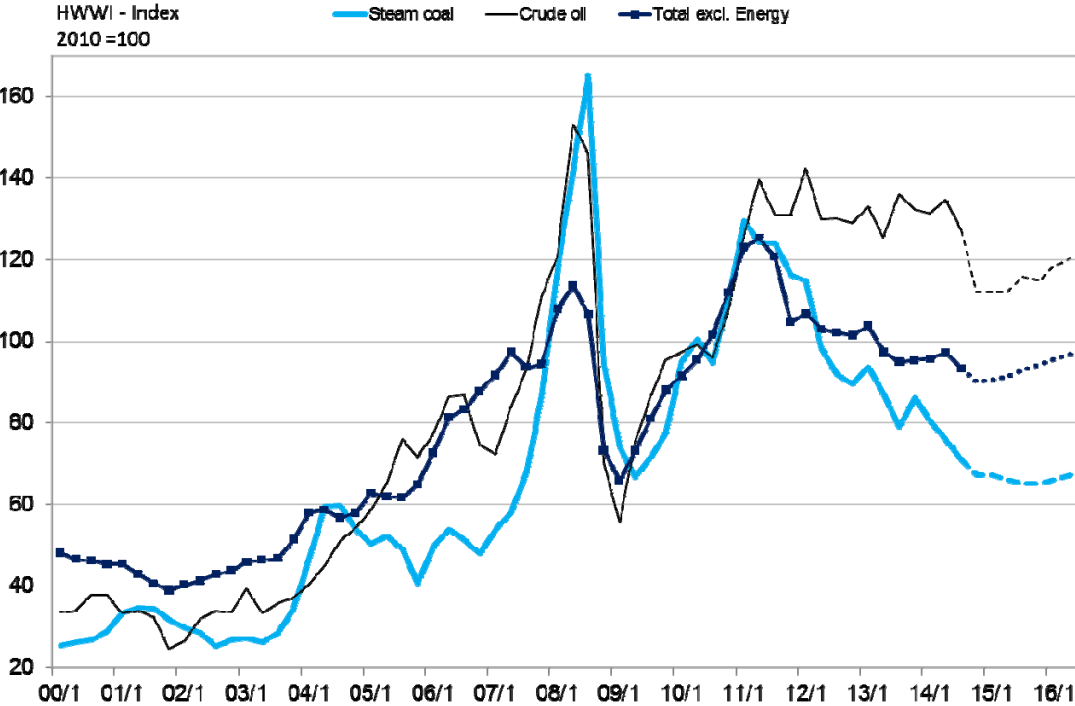
Commodity indices in US\$ terms Index values 2010=100 and % change	2012	2013	2014	2015
All commodities	125	123	117	107
	-3	-2	-4	-9
Total excl. energy	103	98	94	92
	-13	-5	-4	-2
Food total	122	109	106	100
	-5	-11	-3	-5
Industrial raw materials	96	94	90	89
	-16	-3	-4	-1
Agricultural raw materials	93	95	95	94
	-16	2	0	-1
Non-ferrous metals	96	88	89	93
	-14	-8	0	5
Ferrous raw materials	103	107	87	75
	-18	3	-18	-14
Energy raw materials*	131	129	123	111
	0	-1	-5	-10
Crude oil	133	132	126	114
	1	-1	-4	-10
<i>Memorandum</i>				
Indices in euro terms	2012	2013	2014	2015
All commodities	129	122	117	114
	5	-5	-5	-3
Total excl. energy	107	98	94	98
	-5	-8	-4	4
Food total	127	109	105	106
	3	-14	-3	1
Industrial raw materials	99	94	90	95
	-9	-6	-4	6
Agricultural raw materials	96	95	95	99
	-9	-1	0	5
Non-ferrous metals	99	88	89	99
	-7	-11	1	11
Ferrous raw materials	106	107	87	80
	-10	0	-19	-8
Energy raw materials*	135	129	123	118
	8	-5	-5	-4
Crude oil	137	131	126	121
	9	-4	-4	-4
* Steam coal and crude oil				

to a likely supply deficit. Cocoa prices are forecast to increase by 23 per cent in 2015 after a 29 per cent rise in 2014. Contrasting to the coffee and cocoa, tea prices decreased during the year by September. The outlook of limited tea price rises is likely, if no extreme production declines occur, for example due to erratic weather conditions.

In the course of 2014, world sugar prices remained structurally under pressure as the market is expected to remain in surplus in 2014/15, although only by a small margin, and inventories are abundant. Global raw sugar production in the 2014/15 market year is estimated to remain close to record levels for the third consecutive year. With the structure of global economic growth – a major determinant of demand – suggesting that the increase in the growth rate of global sugar consumption will be limited the huge surplus of production over utilization that had emerged in previous years is going to be closed only slowly. Against this background, we expect world sugar prices to remain under pressure for the time being and they remain around current levels over most of the forecast horizon. On an annual average, this implies that prices decrease by a further 10 per cent in 2015, following declines of 7.6 per cent in 2014 and almost 20 per cent in 2013.

3.3 Outlook for energy raw material prices

Graph 3.4 Energy raw material price forecasts



Graph 3.5 Energy raw material price forecasts (crude oil, natural gas and coal)

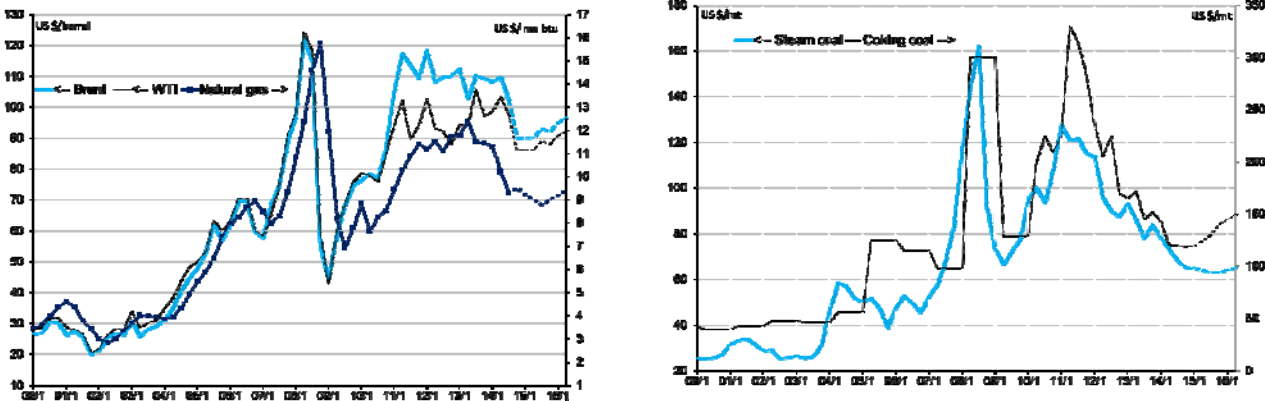


Table 3.3 Energy raw material price forecasts (Index in USD, 2010=100)

Commodity	13/1	13/2	13/3	13/4	14/1	14/2	14/3	14/4	15/1	15/2	15/3	15/4	16/1	16/2	2012	2013	2014	2015
Energy raw materials*	131	123	133	130	128	131	124	109	109	110	113	112	115	117	131	129	123	111
	3	-6	8	-2	-1	2	-6	-12	0	0	3	-1	3	1	0	-1	-5	-10
Crude oil	133	125	136	132	131	135	127	112	112	112	116	115	118	120	133	132	126	114
	3	-6	8	-3	-1	3	-6	-12	0	0	3	-1	3	1	1	-1	-4	-10
Steam coal	94	87	79	86	80	76	71	67	67	66	65	65	66	67	99	86	74	66
	5	-7	-9	9	-7	-6	-7	-5	0	-2	-2	0	2	2	-20	-12	-15	-10
Coking coal	87	90	76	80	75	63	63	62	63	66	68	73	76	79	110	83	66	67
	-3	4	-16	5	-6	-16	0	-1	1	4	4	8	4	3	-28	-24	-21	3
Natural gas	142	149	138	138	136	123	112	114	111	108	106	108	111	113	137	142	121	108
	1	5	-7	0	-1	-10	-9	2	-3	-2	-2	2	2	2	8	4	-15	-11

* Crude oil and steam coal only

3.3.1 Crude Oil

After trading above 100 US\$/b for almost four year, **crude oil** price definitely collapsed in the third quarter of 2014. Starting from mid-June until early October ICE Brent left on the ground more than 25 USD/bbl, averaging \$104 for the third quarter, down 10 per cent from its peak in June. Oil fell for a third month straight in September, with Brent breaking through \$90/b in October, on abundant supply and anaemic demand growth. On quarterly basis, 2014Q3 prices were the lowest since before the first Libyan disruption in early 2011. While writing, crude oil Brent has already break throughout 85 Us\$. Generally speaking, albeit far stronger than expected, these downward movements are not overly surprising. Indeed, it was already clear, since several months, that risks in oil market were pointed to the downside. Moreover, supply and demand fundamentals considerably relaxed in the summer months, on rising US and Middle East supply and downbeat consumption data from Europe, Japan and China. Given the flow of disappointing macro data coming from these countries, starting from July and for four months in a row the International Energy Agency trimmed its predictions for the rise in World oil demand. In its latest monthly oil market report, IEA said it expects global oil demand to grow 0.9 mb/d in 2014, down by 300k b/d since the July forecast. On the other side of the equation, global supply posted a steep growth in the third quarter, rising almost 0.9 mb/d in September, on higher OPEC and non-OPEC output. Still according to IEA, global supply stood an astonishing 2.8 mb/d higher than a year ago in September. Combination of supply and demand factors pushed the light oil balance in Atlantic Basin towards surplus in the third quarter, depressing the price for prompt deliveries, and finally shifting the Brent forward curve into a steep contango.

As previously said, risks were already to the downside in the second quarter, and the main (though significant) factor still avoiding an otherwise not deferrable correction was the unprecedented surge of geopolitical risks. Among the top issues facing the oil sector, there were (and still are) the Isis offensive in Iraq, the Libyan political crisis and the conflict between Russia and Ukraine, combined

with threat of sanctions from Europe and United States. Nonetheless, even though many of these disturbances could have seriously impacted global oil supplies, they definitely had not tangible effects. In the matter of facts, OPEC global oil supply grew at a rather intense pace in the third quarter, mostly due to the contribution of the surging Libyan flows, which is quite paradoxical, given the ongoing turmoil affecting this country - and the MENA in general. In the meanwhile, Russian oil production – another “risky” country – hit its post-Soviet era record, increasing 0.7 percent to 10.6 million barrels a day as country tries to compensate the loss of its main revenues (half of budget revenues and 2/3 of its export revenues) due to the substantial price decline. Obviously Western sanctions are not yet affecting production.

Looking at the recent evolution of oil prices in retrospect, what catches the eye is the fact that the speculative component of the market no longer recognized geopolitical risk as a bullish driver for crude oil prices. This can be largely attributed to the US shale oil revolution consequences, amidst a backdrop of weaker than expected oil demand growth. More in detail, in the past few months the rise in US light crude domestic supply closed the road to the Western Africa exports towards North America (WAF countries are historic suppliers of the US Gulf refineries). No longer able to sell their crude in the Atlantic basin, the WAF producers tried to carve out a route to the Asian market, crushing the spread between the African grades and Dubai spread, thereby encouraging Asia to absorb their overhang at the expense of the Middle East producers. OPEC countries (i.e. Saudi Arabia), in their turn, had to choose between cutting the Official Selling Price (OSP) to maintain their share of the Asian market, or keeping their OSP unchanged, in order to sustain their revenues at the expenses of (Saudi) volumes. In face of global oil oversupply - and irrespective of OPEC “hawks” calling for limiting the output - Saudi Arabia (the swing producer of the Cartel) did not take any measure to stop the decline, rather aiming at keeping its market share unchanged. This paved the way for a race to the bottom with other suppliers, as Saudi price cuts was quickly replicated by Iran and Iraq, both aiming to maintain their market share. As a result, oil price spiralled down below 90 USD/bbl in early October. A so markedly bearish scenario could not justify the amount of net long positions the speculators held in early summer: as money manager slashed their bets on a rising Brent, the risk premium in the oil market rapidly evaporated, further pressuring the oil price.

What to expect now? The current situation is to some extent similar to the early 80’s. The spike in prices caused by the Arab oil embargo in 1973 and Iran revolution in 1979 depressed the global oil demand, at the time when the discovery of offshore reserves in the North Sea (whose competitiveness was enhanced by the strong returns associated to higher oil prices) spurred new flow crude on the market. Instead of fighting for the market share, at that time Saudi Arabia tried to revive the global prices by slashing its own output, with little or few success. Finally Riyadh abandoned his strategy and cut the prices, triggering a slump that – pushing the marginal producers out of the market and reviving the global oil demand - ultimately paved the way for a long-term recovery.

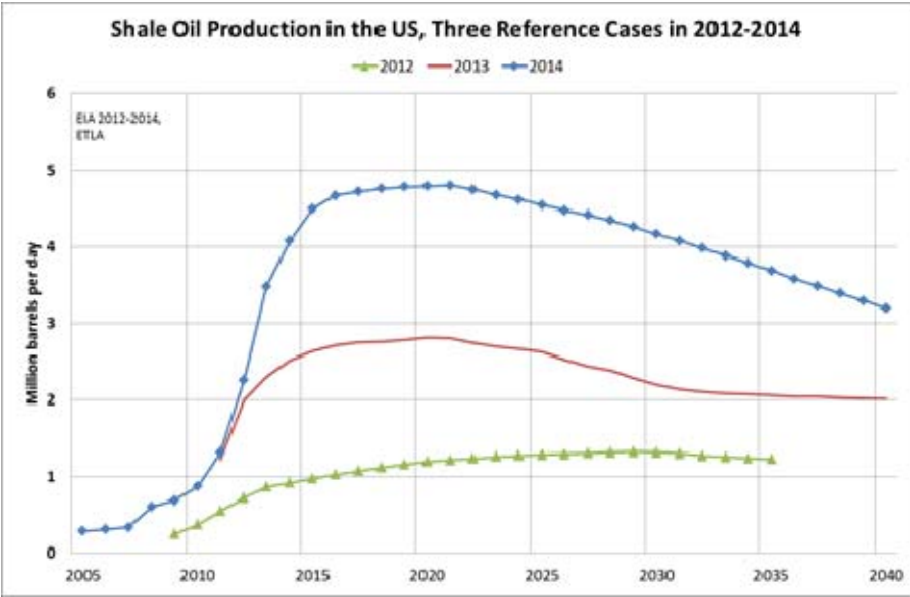
Today (probably determined to avoid the '80s mistakes) Saudi Arabia appears eager to tolerate lower price, preserving the share of the global market in what looks like a strategy for testing the shale oil price floor. The crucial question is whether and how the other OPEC countries will act collectively to halt the price decline, given that Saudi Arabia is showing no particular hurry in repeating the early-80s mistakes. Oil ministers from OPEC are scheduled to meet for on Nov. 27 to decide their output target for the first half of 2015, however, it's not clear whether the meeting will end with an agreement for a collective cut or not. After all, there are at least three major producer (Iraq, Libya and Iran) still recovering or planning to increase their output in the foreseeable future. Under the hypothesis that OPEC countries will keep their current level of production unchanged (at 30 mb/d), according to the latest IEA projections the current surplus is set to rise further in 2015, supporting the hypothesis of a strong price correction of oil price in 2015.

Box 3: The US shale oil production and crude oil prices

By Paavo Suni, ETLA

The substantial rise in US shale oil production (actually a bit wider concept 'tight oil' including oil form other tight formations) has been spurred by two major changes in energy markets. First, a strong rise in energy demand in emerging markets and particularly in China lifted the real prices of fossil energy to record highs in the early 2000s. Second, hydraulic fracturing began to be used in conjunction with horizontal drilling, which increased the productivity of energy extraction from shale formations markedly. These two changes turned previously large, but unprofitable shale energy resources into profitable reserves.

The most visible impacts of the boom on fossil prices were seen in declines of the US crude oil imports due to export ban of the US crude oil (with few exceptions), which has limited arbitrage opportunities between domestic and international markets. The impact on world crude oil prices like Brent or Dubai quotations have come indirectly through a decrease in US imports of crude oil (-24 % in 2005-2013) implying a changing international trade pattern combined with higher oil product exports.



The tight oil production has increased very rapidly since 2005 from 0.3 mb/d to 3.5 mb/d by 2013 and the estimates of the production has been strongly lifted upwards. The EIA reference estimate of the US shale production for 2014 has risen from 0.9 mb/d in 2012 to 2.5 mb/d in 2013 to 4.1 mb/d in 2014. Strongly rising shale oil production has obviously made the ability of OPEC and particularly Saudi Arabia to affect price of crude oil by adjusting production more difficult. The 'industry cost curve' of crude oil i.e. relationship between unit costs and capacities of oil producers has changed flatter. It could be better for OPEC to defend market shares by accepting lower prices instead of cutting production as oil prices have become less sensitive to production cuts in course of rising shale oil production. This choice would keep the production of high-cost competitors with high break-evens like shale oil producers less profitable reducing the incentive to increase the capacity. According to the IEA (2014), only a bit over 4 per cent of the US shale oil production is unprofitable in 2014, if the price of crude oil falls below 80 USD/bb, but the costs are anyway much higher than in OPEC countries. A price floor of 80-85 price floor as assumed in the forecast would both discourage the expansion of the oil production in the high cost areas and keep US shale oil producers afloat.

Sources:

EIA data bank and Interactive data viewer. 30.10.2014

IEA. "A Glance at Breakeven Prices and World Oil Production". Oil Market Report. October 2014.

J. Chojna, M. Losoncz, P. Suni. "Shale energy shapes global energy markets", National Institute Economic Review 2013 226: F40. November, pp. F40-F45, 2013.

P. Suni, "The US shale energy boom and the price of fossil energy". Journal of Energy Challenges and Mechanics. Volume 1. Issue 2.

3.3.2 Steam and Coking Coal

The price developments of **steam and coking coal** started to diverge in recent months. The latter as represented by the reference price of premium hard coking coal in deliveries from Australia to the Japanese steel mills seems to bottom at around US\$ 120/mt in three consecutive quarters (2014Q2-4), i.e. 64 per cent below its 2011Q2 peak. The former continue their slide; the Australian steam coal was quoted at US\$ 64.7/mt at the end of September this year, which represents a fall by 21 per cent as compared with January average and by 50 per cent in relation to January 2011 price. Likewise the prospects in the forecasted period till mid-2016 turned more promising for the exporters of coking coal, who proved more effective in enforcing necessary production cuts and face relatively stronger demand. Consequently they could expect a rebound in prices already next year, while the outlook remains bleak for steam coal exports.

The sharp downward price trends at the world coal markets that prevail from the beginning of 2011 reflect heavy oversupply resulting from substantial slowdown in import demand coupled with

abundant supplies due to rising export capacities. As most of demand growth comes from emerging Asia, the imports were severely hit by slower economic activity in China. On supply side, softening market conditions coincided with massive additions to production and transportation capacities as investment projects launched a few years ago under the impact in of record-high coal prices were gradually commissioned. Since prospects for a substantial demand revival seem limited, the ability of producers to scale-back their operations has become pre-condition for rebalancing the markets.

According to the Australian Bureau of Resources and Energy Economics (BREE) the world coal trade volume (steam and coking coal together) would marginally decrease this year (by 0.2 per cent), following 4.4 per cent rise in 2013. Its recovery projected for the coming years is quite modest – by 1.5 per cent in 2015 and 2.2 per cent in 2016. The Chinese import growth is to moderate from 5.5 per cent expected this year to 3.8 per cent in 2015 and 3.4 per cent in 2016, strongly contrasting with two-digit annual rates noted until recently. In 2014 it was affected by the downturn in the real estate sector as well as the series of price cuts induced by the Chinese producers at the domestic market in order to improve their competitiveness against foreign suppliers. Starting from 2015 coal imports to China would be hampered by reintroduced import tariffs and proposed ban on the imports of low-quality steam coal.

Generally, the demand outlook is relatively better for the market of coking coal as compared with steam coal one. The BREE projection indicates 5.3 per cent rise in the world imports of coking coal this year, clearly contrasting with expected 1.8 per cent fall in the imports of steam coal. Similarly the next year's growth rates remain higher for coking than for steam coal (1.9 per cent and 1.3 per cent respectively). Moreover, the producers of coking coal proved more successful in implementation of necessary cutbacks. Peabody Energy Corp. estimates the scale of this year's production cuts at 10 Mt, which represents roughly 10 per cent of annual coking coal export supply globally. On the contrary, the oversupply on steam coal market tends to boost. According to Morgan Stanley it is projected to more than double from 6.8 Mt in 2014 to 14.9 Mt in 2015. As can be seen from ABARE forecast the effects of restrictions on coal exports in Indonesia (e.g. export licensing) and of further fall in the exports from Russia and the USA would be outweighed by a rebound in Colombian exports as well as rising supplies from Australia and South Africa.

In view of ongoing rebalancing the price of coking coal is set for an upswing, especially if awaited recovery in China's property sector and further production adjustments would materialize. AIECE projects its rise by a modest 3 per cent next year, following this year's 21 per cent fall. At the same time further price cuts seem inevitable on heavily oversupplied steam coal market. We expect that the price of Australian steam coal would decrease by 17 per cent in 2014 and by 10 per cent in 2015, while for South African steam coal it would go down by 9 per cent and 12 per cent respectively. Moreover, the forecast risks are rather at the downside. With sustained slide in price quotations of competitive fuels (oil and natural gas) the fall in steam coal prices below US\$ 60/mt mark cannot be

excluded, which would signify the price level lower by at least 16-18 per cent as compared with projected this year's averages.

3.3.3 Natural gas

Western European import prices published by the World Bank are average import border prices or unit values (the value of imports divided by the quantity of natural gas imported). This is a combination of spot and contract prices. In the past the price of natural gas was pegged to the price of competing fuels such as oil and oil products. Oil-indexed gas was traded under long-term supply contracts that ensured the security of supply for the buyers and guaranteed demand for producers.

However, the maturing of the European natural gas market as well as some other factors (unfolding production of shale gas in the US, increasing supply of LNG and the global financial and economic crisis in 2008 and 2009) had an impact on the market. Between 2005 and 2013, wholesale price formation in Europe was characterized by a continuous move away from oil-indexation towards more gas-on-gas competition. The share of spot market gas in total gas consumption was up from 15 per cent in 2008 to 44 per cent in 2012 and 53 per cent in 2013 with significant regional differences. At present the spot market share is likely to total some 70 per cent in north-west Europe, whereas much lower in the Mediterranean.

This has led to an increase in hub liquidity opening the possibility of gas hub indexation, although the renegotiated gas-indexed contracts remained bilateral relationships.

According to the DG Energy of the European Commission, the total regasification capacity of LNG terminals in Europe (excluding small scale LNG) is around 200 bcm/year (billion cubic metres per year). Further terminals planned will raise total capacity to 275 bcm/year in 2022. According to data from Thomson/Reuters, the utilisation rate of LNG terminals in the EU is at present about 25 per cent. Estimations of the Council of European Energy Regulators are that 137 bcm of regasification capacity (73 per cent of technical capacity) in the EU was idle in 2013. In terms of volume, 58 bcm of capacity was not used in Spain and 44 bcm in the UK, 15 bcm in France, 11 bcm in Netherlands, 8 bcm in Belgium, 6 bcm in Italy and 5 bcm in Greece.

In 2013 apparent or gross consumption (indigenous production plus imports minus exports and changes in stocks) of natural gas in OECD Europe was down slightly by 0.2 per cent. In the first half of 2014 it decreased by 16.7 per cent, mainly with changes in stocks, although because of distortions due to seasonal effect no far-reaching conclusion must be drawn from this figure. As a matter of fact, gross consumption was 7 per cent lower in 2013 than in 2008 when the global financial crisis started.

According to the International Energy Agency, demand for natural gas (which corresponds to gross apparent consumption) will drop by 7 per cent in 2014 mainly driven by low demand from industry and from power generators, pressured further by mild weather at the beginning of the year. In 2015, too, further slight decrease is predicted driven by low demand

As far as the major sources of gross consumption are concerned, indigenous production tends to fall and the share of imports is going to increase in gross consumption. Indigenous extraction of natural gas has contracted by 25 per cent since 2008 and this trend is set to continue in the future. Consequently, OECD Europe's dependence on natural gas imports will increase, although at a more modest pace than earlier.

Weak demand has been reflected recently in decreasing average monthly prices of imported natural gas. Gas prices in OECD Europe are somewhere between the high Asian price and the depressed Henry Hub of the US. Due to the traditional reliance of long-term contracts, prices in the European gas market are less flexible. Transport is also more complicated than elsewhere.

In the rest of 2014 the average monthly price of natural gas in OECD Europe is expected to continue to be flat, and with the drop in the first three quarters, a 15 per cent decrease is predicted in 2014 year-on-year. In 2015 a further 11 per cent fall is likely.

Taking into account pure economic factors, this price forecast involves downward risks. Nevertheless, if Russia's Gazprom stops deliveries as a consequence of the Russian-Ukrainian conflict, upward risks should be reckoned with. The effects of the interruption of natural gas supply on prices cannot be foreseen. Sudden price increases may occur in spite of the fact that the majority of the EU member states have sufficient natural gas in the storage facilities to ensure supply in the winter.

3.4 Metals and minerals

3.4.1 Non-Ferrous metals

Aluminium price has increased by 19 per cent between May and September 2014 and has exceeded \$2,000 /t in July- for the first time since March 2013, after data showed stronger economic growth in top consumer China. Stockpiles have dropped by 7 percent between May and August and were below 5 million metric tons during July for the first time since September 2012. However, this decrease could be temporary and the inventories are mainly not available to the general market. In September, new LME rules limiting warehouse queues to 50 days were not yet confirmed and premiums –the costs to get metal out of storage, had risen again to an all-time high in Europe.

World production excluding China decreased by 1.1 per cent between January and July 2014 according to WBMS (compared to Jan-Jul 2013), but has increased by 8.3 per cent in China. Globally, aluminium refined production rose an estimated 3.2 per cent in the first seven months of 2014.

Aluminium is outperforming most metals, mainly thanks to the boost of aluminium use in US and European car design markets to make them lighter. Moreover, vehicle markets are improving: in the US, light vehicles sales increased by 9 per cent YoY in July. Chinese automotive association said passenger vehicle sales were up 11,7 per cent YoY during the January-May 2014 period.

The aluminium market recorded a 393 kt deficit during 2014 first 6 months, after a surplus of 1,057 kt recorded for the whole of 2013, according to WBMS. BREE Australian Bureau forecasts that world production will increase by only +0.4 per cent in 2014 and more (+3 %) in 2015, with new capacities in the Middle East (Ma'aden 2nd phase (Saudi Arabia): 0.74 Mt / year, EMAL (UAE) : 1.3 Mt/y from the end of 2014) and in China. Meanwhile, various sources estimate that global demand should grow at relatively higher rates (4 to 6 %) in 2014.

Graph 3.6 Metal and minerals price forecast

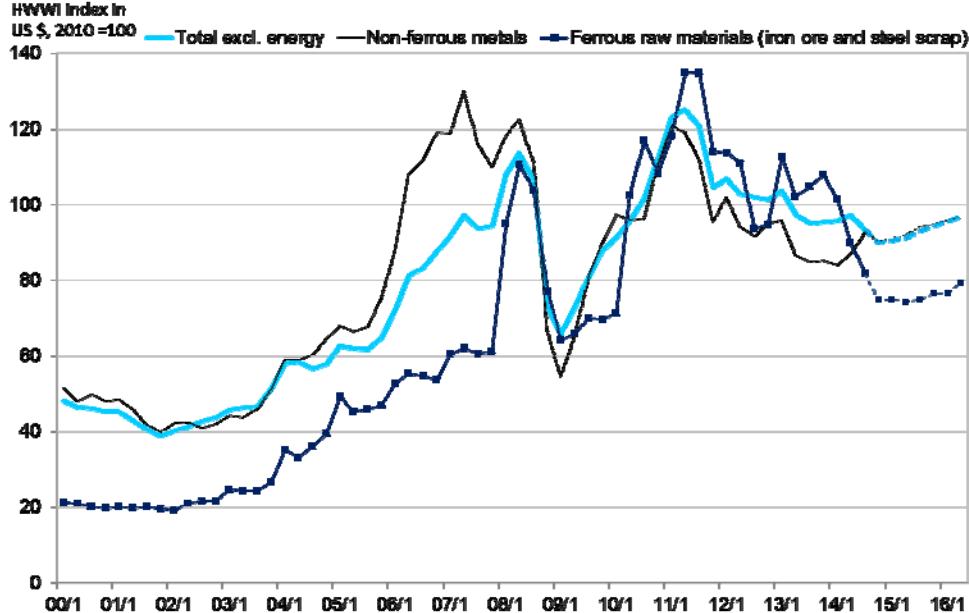


Table 3.4 Metals and minerals' price forecast, (index in USD, 2010=100)

Commodity		13/1	13/2	13/3	13/4	14/1	14/2	14/3	14/4	15/1	15/2	15/3	15/4	16/1	16/2	2012	2013	2014	2015
Non-ferrous metals		96	87	85	85	84	87	93	90	91	92	94	95	96	96	96	88	89	93
		1	-10	-2	0	-1	4	6	-2	1	1	2	1	1	1	-14	-8	0	5
Aluminium	GB	92	84	82	81	79	83	92	93	94	95	97	98	98	99	93	85	87	96
		0	-8	-3	-1	-3	5	11	2	1	1	2	0	0	0	-16	-8	2	11
Copper	GB	105	95	94	95	93	90	93	90	89	89	92	91	94	94	105	97	91	90
		0	-10	-1	1	-2	-4	3	-4	-1	0	3	-1	3	1	-10	-8	-6	-1
Lead	GB	107	96	98	98	98	98	102	96	97	98	99	102	104	105	96	100	98	99
		5	-11	2	0	0	0	4	-6	1	1	1	3	2	1	-14	4	-2	1
Nickel	GB	79	69	64	64	67	85	85	73	75	78	80	83	83	84	80	69	78	79
		2	-14	-7	0	5	26	1	-14	2	4	3	3	1	1	-23	-14	13	1
Tin	GB	118	102	104	112	111	113	107	101	102	104	108	107	110	109	103	109	108	105
		12	-13	2	8	-1	2	-5	-6	1	1	4	0	2	-1	-19	6	-1	-2
Zinc	GB	94	85	86	88	94	96	107	102	104	105	106	109	111	112	90	89	100	106
		4	-9	1	3	6	2	12	-5	2	0	1	3	2	1	-11	-2	13	6
Ferrous raw materials		113	102	105	108	102	90	82	75	75	74	75	77	77	79	103	107	87	75
		19	-10	3	3	-6	-12	-9	-8	0	-1	1	2	0	4	-18	3	-18	-14
Iron ore	BRA	119	101	107	109	97	83	73	64	64	63	63	64	64	68	103	109	79	64
		22	-15	6	2	-11	-15	-12	-11	0	-3	0	3	0	6	-20	5	-27	-20
Steel scrap	US	97	105	100	105	113	107	104	100	100	102	104	105	105	105	103	102	106	103
		10	8	-5	6	7	-5	-3	-3	0	2	2	2	0	0	-12	-1	4	-3
Steel scrap	EU	97	105	100	105	113	107	104	100	100	102	104	106	106	106	103	102	106	103
		10	8	-5	6	7	-5	-3	-3	0	2	2	2	0	0	-12	-1	4	-3
Steel		119	116	114	113	114	112	112	114	115	116	116	116	116	116	123	116	113	116
		2	-3	-2	0	1	-2	0	1	1	1	0	1	0	0	10	-6	-2	2

As a consequence, the market could be in deficit this year, after many years of oversupply, due to output cuts by producers and robust demand. Another deficit could be observed in 2016, with less new capacities and as Indonesia's ban on exports of raw material is likely to lead to shortage of the metal.

The recent price hike seems to be premature and since September aluminium is correcting as commodities got hit by a strong US Dollar. Aluminium price could stabilize at the end of 2014 in a context of still high inventories, before a further increase due to high demand and production curtailments effects.

Given the wide variety of its applications, **copper** price is often considered a useful leading indicator of the state of the world economy. China is the world's largest copper consumer, accounting for nearly 50 per cent of global demand in 2013: no wonder the flow of lackluster macro data over the past few months eventually reversed the rising trend that took place in the second quarter. Growth in Chinese FAI, industry PMI and industrial production were generally weaker in July and August, compared to the previous months, while ongoing fragility in real estate sector and credit growth further contributed in dampening prices. Moreover, China's Finance Minister said in September that the country would

not alter its economic policy in the near futures, a view confirmed “for the foreseeable future” by a PBOC’s governor statement in early October. Still in China, on the back of a national campaign against widespread corruption, the authorities discovered that a huge amount of copper stored in Qingdao port had been used multiple times as collateral for loans. As the scandal came to light, Chinese banks have tightened commodity-collateralized credit, leading to a drop in Chinese copper imports during the summer months. Rising US\$, lower energy cost and disappointing macro data from other important consumers (as Japan and Europe) among the other factors explaining the decline of copper price observed in the summer months. Copper was traded at above 7100 US\$/ton in July, before sliding in August and break through the 7000 US\$ mark in September. Price hit its 6-months low in early October. However, on quarterly basis, due to statistical effect, the Q3 average price was 3 per cent higher than the previous.

Generally speaking, the huge amount of bearish factors from the demand side, combined with the expected increase in mine output and Chinese refined production, should have triggered a far larger selling activity, leading to more pronounced price weakness than actually observed. Nonetheless, despite the ongoing economic activity troubles, Chinese copper final consumption appeared quite healthy in the past few months. China has imported a huge amount of concentrate, refined production touched a record high, while visible inventories at SHFE steeply decreased. All these elements suggests robust underlying demand: however, it can’t be excluded that inventory accumulation by China Reserve Bureau and State Grid could have contributed to underpin the copper apparent demand, covering an actual weakness in end-use consumption.

From the supply side, mine output growth disappointed again in the first half of the year. In April forecasts by International Copper Study Group (ICSG) had projected a surplus of 400kt for 2014. However, since then, prospects for an oversupplied market have subsided. Due to operational failures, delays in ramp-up production and start-up of new mines, global copper market will hardly avoid a fifth straight year in 2014. Historically low LME inventory levels (at 2008 lows) and the accumulation of a large part of them in the hands of a single dominant holder (controlling 90 % of New Orleans inventories, accounting for 85 % of LME total) further contributed to temper the slowdown.

According to ICSG latest report on global copper market, mine production is expected to grow about 3 per cent (compared to 9 % in the 2013), while refined copper production should increase 5 per cent to 22.1 Mt in 2014. World mine production (albeit of lower grade) is expected to grow by about 7 per cent in 2015, while global refined production, supported by expanded capacity at electrolytic plants in China, should hover around 23 Mt (+4 %). For what regards the demand side, according to our macroeconomic outlook, China will confirm the pivot of the market; its economy should avoid an hard landing, keep on expanding between 7.1 and 7.3 per cent in the forecast horizon. ICSG estimates a 5 per cent increase in Chinese demand in 2015, even though this forecast appears rather optimistic, compared to our macroeconomic outlook. We expect global copper demand to grow at below 4 per cent rate, which would leave some room for generating a little surplus on the global copper market in

2015. Moderating scrap market tightness and declining use of copper as collateral should contribute to temper the supply-side related risks; however, until a recovery of LME inventories, the copper price will hardly experience a strong shift from the current trading range.

Lead prices rose in July to a 17-month high, on signs of lower global output from mines amid increasing demand for car batteries. Lead stocks have increased by 16 per cent between May and August, reaching 220,550 t, but are still at low levels (only one week of consumption). Global lead mine output, increased by 1.3 per cent during Jan-April 2014 (ILZSG), due to higher production in Australia, in Mexico, and in the US. Refined lead production decreased by 4 per cent (ILZSG) and lead battery scrap is also in tight supply.

Global consumption has decreased by 4.6 per cent during Jan-Apr 2014 according to ILZSG. However, the latest figures from the Chinese National Bureau of Statistics indicate that lead-acid-battery production growth is beginning to quicken, having stalled in early 2014, with output in the first four months up by 8.2 per cent year on year. There is also a growing need for replacement batteries.

The lead market was in deficit by 16.4 kt in January to June 2014, which follows a deficit of 225 kt recorded in the whole of 2013. (WBMS)

The global lead mine production is expected to increase by 5 per cent in 2014 due to new mines in Australia (full year of Ivernia's Paroo Station and Mount Isa : 80 000 t/y), re-openings in Italy, in Peru and new capacities in China. However, key mine closures are set to take place over the next couple of years. Higher prices could draw scrap metal back to the market. The refined lead production is expected to increase by 4 per cent globally in 2014, according to ILZSG.

Global demand for refined lead metal is expected to increase by 5 per cent in 2014 (ILZSG). Chinese demand is expected to increase in 2014 (driven by automotive, electric bicycles, 4G networks..), however, a 5 per cent consumption tax on battery producers could be implemented in China starting from 2015.

Soft supply growth and an improving demand outlook should tighten the market. The lead market could register a deficit of 47,500 tonnes this year, the widest since 2005, and of 90,000 tonnes in 2015.

Nickel is the metal that increased the most during 2014. Indonesian ban on exports and potential sanctions against Russia have pushed the metal up in Spring, but since May prices have moderated and the price was down 4 per cent at the beginning of September (compared to June 2014). Nickel fell from a six-week high in July amid speculation supply of the metal is ample for now.

Meanwhile, nickel stocks have remained at record levels and have increased by 15 per cent during May-August 2014.

The nickel market remains oversupplied but the surplus is decreasing. Mine production from January to May was 274 kt below the comparable 2013 total (WBMS), due largely to the assumed reduction in Indonesian output in response to the export ban. Glencore Xtrata has reduced its production target for Koniambo mine, in New Caledonia, (10,000-18,000 t only in 2014, instead of 34,000t).

World nickel consumption rose 4 per cent y-o-y in 2013 (WBMS), led by a 12.9 per cent growth in China. The stainless steel output rose 11 per cent y-o-y in China during 1Q 2014 (ISSF).

China's nickel pig iron (NPI) output was up 15 per cent in the first seven months of the year, but annual output is expected to fall in 2014, as the Chinese stocks of Indonesian ore will decrease.

The nickel market was in surplus during H1 2014 with production exceeding apparent demand by 68.7 kt. In the whole of 2013 however, the surplus was 201 kt (WBMS).

By 2015, some new mining capacities are expected in the Philippines (Taganito : 30,000t), in Madagascar (60,000t) and in New Caledonia. However, world primary nickel output is forecast to decrease by 13 per cent in 2014 and by 3.5 per cent in 2015 (BREE) and world production of refined nickel could decrease by 2 per cent in 2014 and by 8 per cent in 2015 (BREE).

Meanwhile, demand is expected to increase by 5 per cent in 2014 and by 1 per cent in 2015 (BREE), with the urbanization needs of China and India and as the US economy is showing signs of sustained growth in manufacturing, including in the automotive industry. Global stainless-steel production is set to climb 5.7 per cent in 2014 (MEPS) and output in China, may rise 6.4 per cent.

Production of nickel will exceed demand this year, before a deficit in 2015, the first annual shortfall since 2010, as China depletes its inventory of Indonesian ore for NPI production.

Elevated stocks and surplus will limit price gains at the end of 2014, which should be more important in 2015 with higher consumption, and potential ban from Philippines. Moreover, the implementation of an embargo against Norilsk Nickel, as part of Western sanctions against Russia, is not excluded.

The **zinc** price rose 13 per cent between May and August 2014, lifted by expectations that mine closures and declining ore grades would lead to shortages. However, the price increase may have been exaggerated by speculation.

LME zinc inventories are at their lowest level since 2010. They decreased by 3.5 per cent during May-August, but many of them have not returned on the market and are still tied up in financial deals.

Global mine production has increased only by 0.4 per cent YoY during Jan-April 2014, according to ILZSG, due to higher output in China, Mexico and the US. It is worth noting, however, that data from other statistic providers show a completely different picture: indeed, according to WBMS global mine production posted a steep retrenchment in the first 7 months of 2014, falling 8.9 per cent y-o-y, mostly due to lower output India (-26%) and China (-18%).

According to WBMS, global output of refined zinc slightly increased in Jan-Jul 2014 (+1.7% y-o-y) as a consequence of higher production in Belgium, China and Netherlands.

Global usage of refined zinc metal increased by +7.5 per cent YoY from January to April 2014 (ILZSG). Construction of new U.S. homes jumped 15.7 per cent in July to the highest level in eight months and permits for new construction rose 8.1 per cent in June. China has recently announced accelerated construction of railway and public housing projects. The content of galvanized steel in Chinese cars is rising, as Chinese consumers are demanding higher-quality motor vehicles.

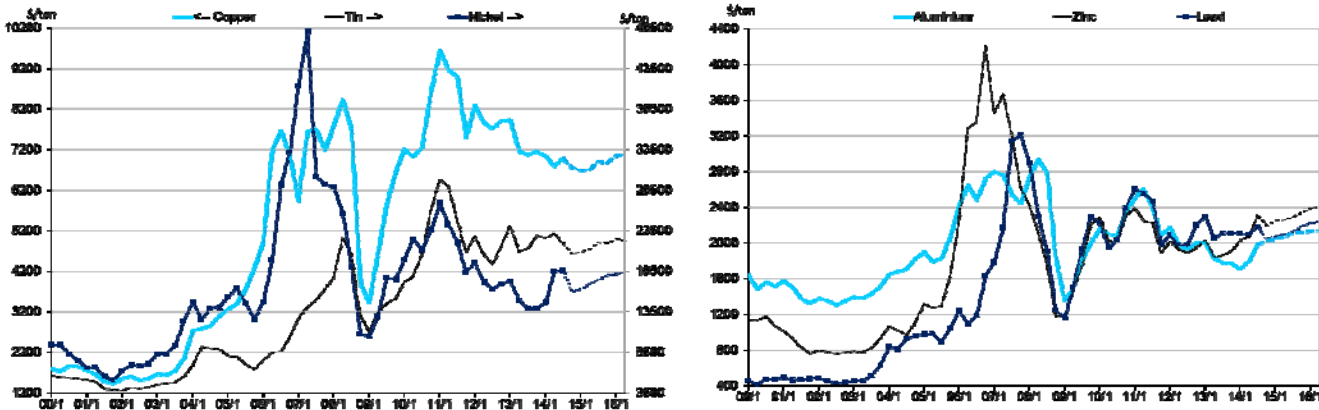
The zinc market was in deficit by 191 kt during H1 2014, which compares with a surplus of 116 kt recorded in the whole of the previous year (WBMS).

Whereas more mining production is expected in 2014 in Australia : Lady Loretta (126,000t/ y), McArthur River (+200,000t/y), new capacity addition should be limited in 2015 : Dugald River has been delayed to 2016 (Australia) (200,000t/y) and mines will close in 2015 (in Ireland and Australia). MMG's Century mine in Australia is expected to run dry in 2015, removing about 5 percent of global supply out of the market.

Overall, mining production is expected to increase by 2 per cent in 2014 and 3 per cent in 2015 and refined production should rise 4 per cent in 2014 and 2015 (BREE). World demand will increase by 4 per cent in 2014 and 2015, according to BREE, In China, housing, automotive markets should increase demand by 6 per cent. Galvanizing demand is picking up in the U.S. manufacturing sector.

With mine closures, there could be shortage of zinc in 2015. After a correction at the end of 2014 (as for nickel, prices have lifted too far), prices could increase again in 2015, with the tightening of the zinc market.

Graph 3.7 Non-ferrous metals price forecast (copper, tin, nickel, aluminium, zinc and lead)

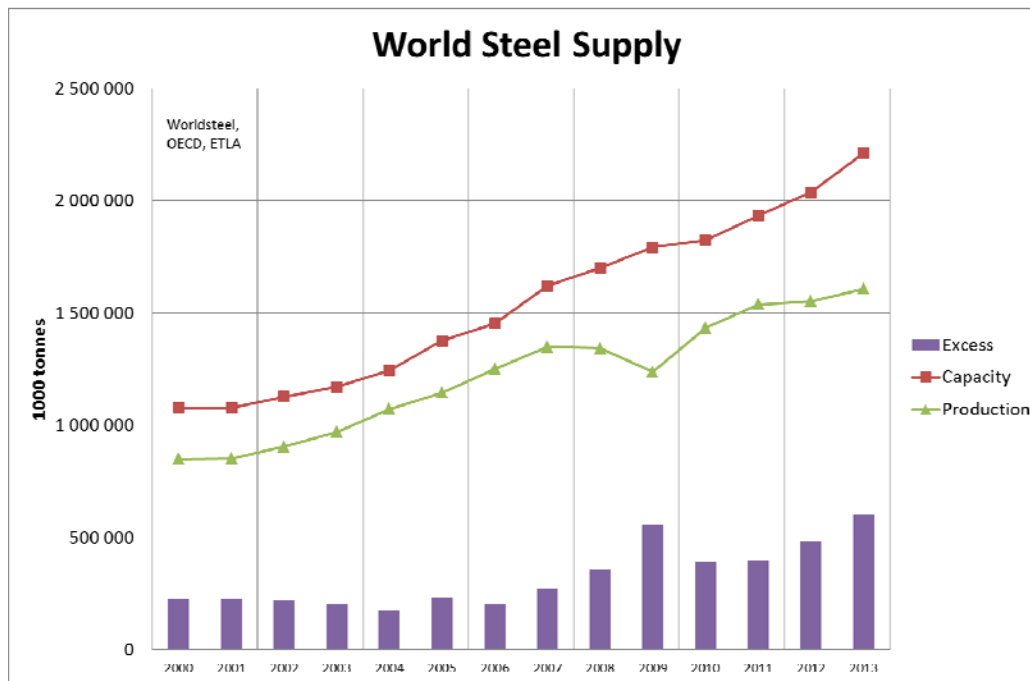


3.4.2 Steel and ferrous steel raw materials

The growth of world **steel** consumption is expected slow to about 2 per cent in a year in 2014-2015 after nearly 4 per cent growth in 2013 according to the World Steel Association.

The slowdown of the world demand growth since 2013 reflects the changing drivers of the growth. In 2000-2013 China used to be a main driver of the steel sector with 48 per cent demand share. Since 2013, the growth of steel demand in China is expected to slow down as a result of government policies to cool down the dominant end-user of steel, the real estate sector with massive oversupply with examples of ghost towns.

The world demand of steel is now pulled by the developed economies with 4.3 and 1.7 per cent growth rates in 2014-2015 after a drop by 0.2 per cent in 2013 according to the World Steel Association. The



rather strong recoveries in the US, in Japan, in the UK and in Poland are among the drivers of the steel demand in the industrialised countries. In the US the strong growth of the automotive and energy sectors recovery is supporting the steel demand. In Japan the rather strong demand growth in 2013-2014 pushed by the “Abenomics” is expected to turn to decrease in 2015. In a longer-term, it is the urbanisation of emerging markets together with industrialising, which support the steel demand. The growth in the industrialised countries will continue moderately.

World steel production growth is moderating in 2014-2016 due to a significant over-capacity since the Great Recession in winter 2008-2009, but the excess capacity, however, continues to dominate the steel market outlook. China the biggest producer with largest excess capacities is shutting down capacity actively, but the capacity and production is still expected to continue growing due to ongoing investments. As a result a growing flow of Chinese steel to world markets with coincident trade disputes will continue to be a big concern for the other producers and may intensify the ongoing trade disputes, e.g. the decision of the US Trade Commission (ITC) in October 2014 to set trade measures to restrict the Turkish and Mexican rebar imports.

The price of the US **reinforcing rounds**, which the group uses as an indicator for the steel market, has stabilised during a year at around \$630/short tonne supported by strengthening of the construction investments in the US. The price is expected to be flat during the forecast period as the large global excess capacity of the steel production and related tough competition will dampen the price rise.

The slowing growth of China, a dominant iron ore consumer with 47 per cent share of world steel use, has had a significant negative impact on the price of **iron ore** in the 2000s. In September the price (\$82.37/mt) was nearly 40 per cent lower than a year earlier. Most of the decline took place in 2014 by September,

A price decline was surprisingly rapid and reflects partly the downward correction of the growth outlook of China, which should dampen strongly the production of steel – a demand for the iron ore.

However, the growth of steel production will moderate, but still continue growing at the rate of 2-3 per cent in a year according to BREE. It is the supply of iron ore behind a substantial price drop. Low-cost producers in Australia and Brazil was known to rise strongly after large investments in capacity and logistics, but the timing of the rising exports had been uncertain. The fact that a significant part of iron ore mining is unprofitable with current prices did not help in resisting the price decline as producers continued producing.

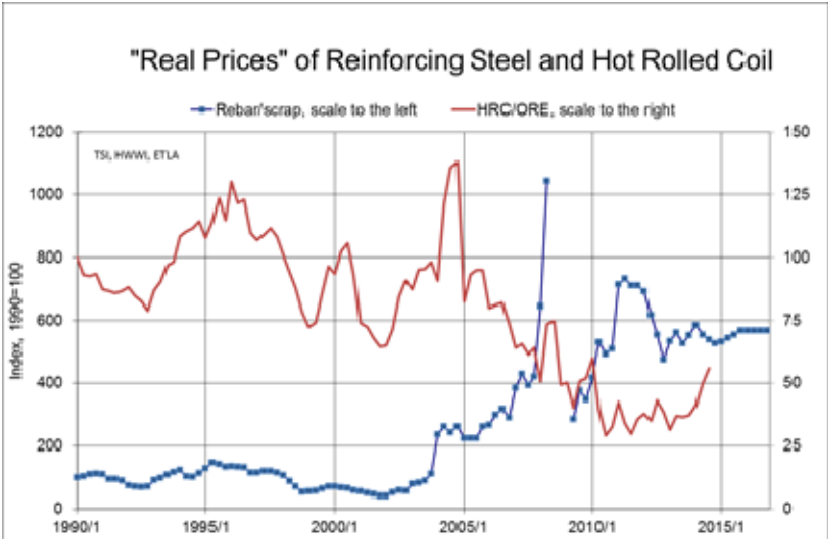
A large part of unprofitable iron ore production takes place in China, which produces slightly over 20 per cent of world production. Production is unprofitable in many mines due to high costs of production of low grade ore and high internal transport costs.

A forecast growth of steel production – demand for ore - in China is forecast to continue moderate in 2014-2016. Measures set in early 2013 by the government cool the overheated and indebted construction sector, but they were somewhat relieved in September 2014. Also, the government, while focusing on reforming the economy for better consumption-orientated economic growth, prepares for crisis prevention e.g. by rising investments, if seen necessary.

In the US, the strengthening of the growth of steel demand does not support much iron ore prices. 60 per cent of the US steel production is made in scrap-intensive electric-arch furnaces (EAFs), which get an extra competitive benefit from the decreased electricity prices triggered by the shale energy boom. In China, the share of EAF's in steel production is less than 10 per cent.

Iron ore markets are in surplus and production continues rising as low cost producers try to increase their market shares. This should point to the price decline. In the forecast, however, it is expected that this effect is already taken into account in a current low price. The price of iron ore (Chinese import prices in Tianjin, CIF) is expected to stabilise after a very strong decline since early 2014 at around 80 US dollars per tonne during the fall 2014 and bottom around this level during the forecast period supported by the capacity decreases of unprofitable producers.

The markets are, however, very soft as expanding production of three major producers with low unit costs control of more than 35 per cent of production. According to anecdotal evidence the break even for these large producers is close to \$40/MT.

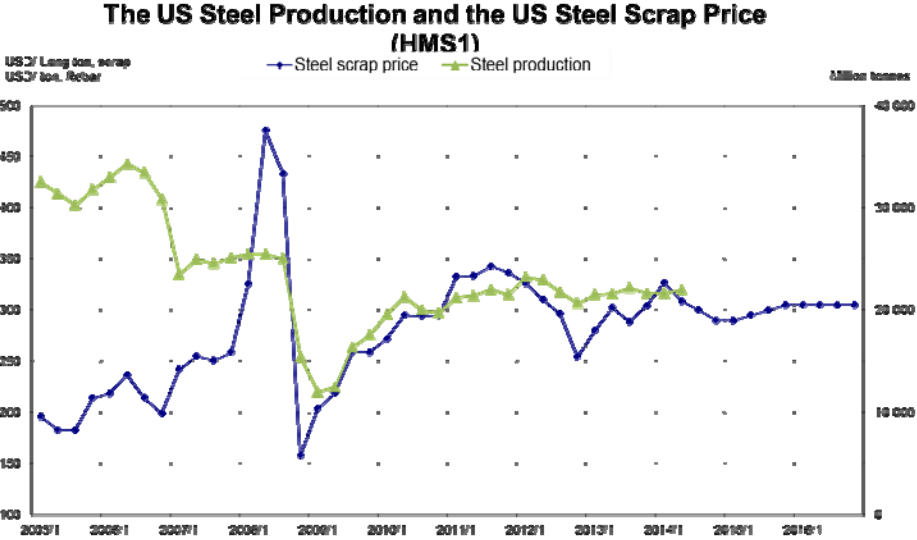


Steel scrap prices described by the US heavy melting scrap (HMS1) dropped by 12 percent during the beginning of 2014 by September. The price reaction was mild compared to the corresponding decline of around 35 per cent in the price of iron ore.

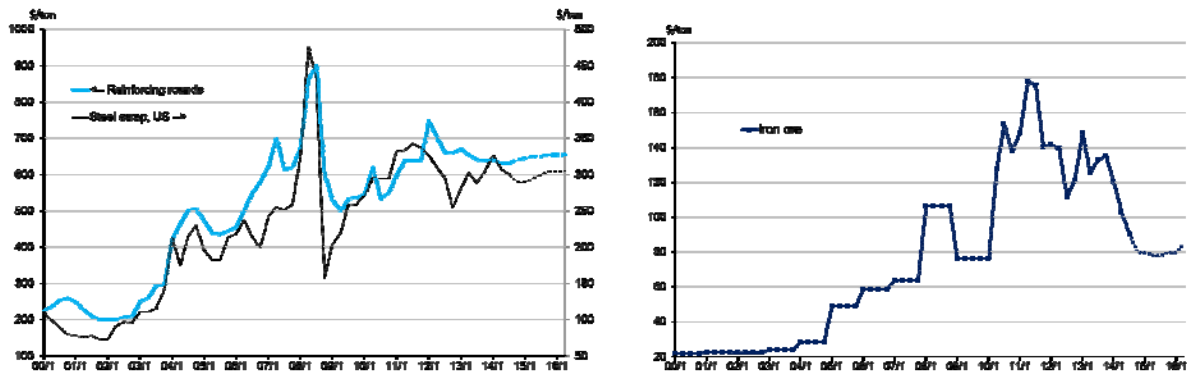
There are several demand and supply side reasons to different price reactions. First, a dampening outlook of China, which is a dominant producer of steel, had different implications for the demand of these two raw materials. China uses iron ore in 90.5 per cent in its steel production and scrap usage is small. The effect on scrap demand is consequently small compared to the iron ore demand.

Scrap demand is supported by the strengthening US economy, where the share of scrap in steel production is high (61%). The reviving steel consuming sectors like car production and construction add to the demand for scrap. The US demand for scrap is also structurally supported by the North American shale gas boom as it has increased the competitiveness of the EAF's in comparison to ore-using blast furnaces by lowering the US electricity prices. On the other hand, the iron ore based substitutes of the steel scrap, direct reduced iron (DRI), hot briquetted iron (HBI) and pig iron are competing with the scrap and dampening the positive effect on the scrap demand.

On the supply side, different kinds of resource bases affect the price reactions in general. Iron ore mining projects are expensive and it has taken a long time to open mines and current rapid rise in capacity and production is a reaction to strongly risen prices in the early 2000s. The availability of scrap, on the other hand, is sensitive to price changes and decreasing prices would decrease supply, which dampens price declines. Scrap supply is also affected by the strengthened USD, which increases the competitiveness of imports, while the decision of the US Trade Commission (ITC) in October 2014 to restrict the Turkish and Mexican rebar imports will support the US demand for steel scrap and its substitutes.



Graph 3.8 Steel and ferrous raw material price forecast

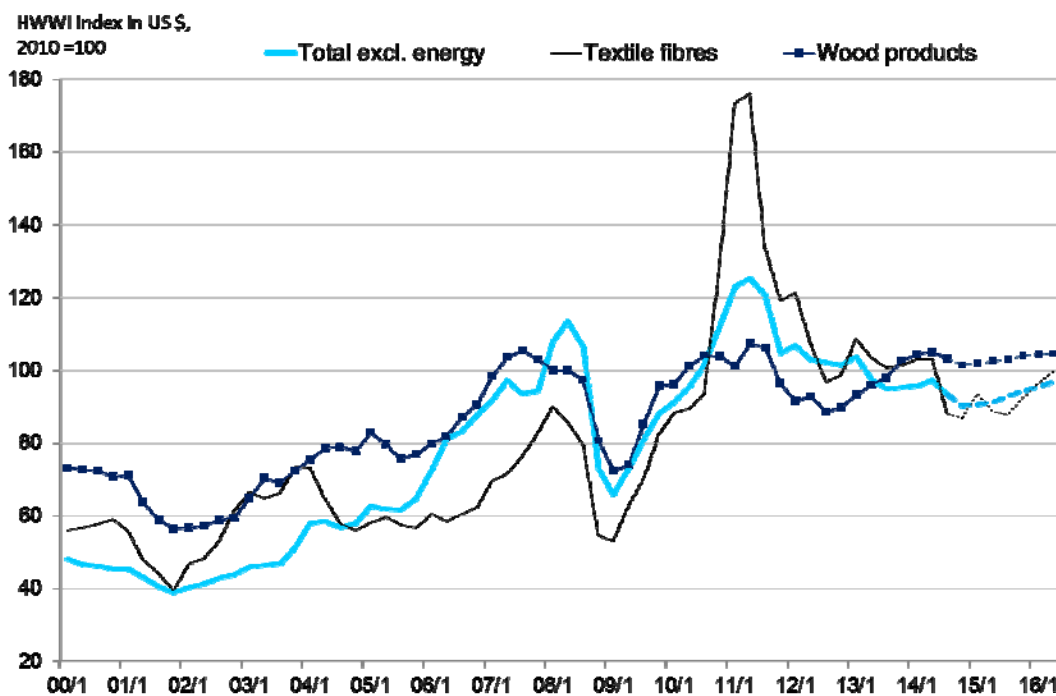


3.5 Agricultural raw materials

Despite world **cotton** production exceeding consumption consecutively for four years, stockpiling policies in China had kept world prices relatively high. For the 2014–15 season the Chinese Government will change its strategic stockpiling policy and will replace it with direct income support to producers.

In 2014–15 cotton prices are forecast to decline. This forecast price decline mainly reflects an expected increase in world (excluding China) cotton stocks stemming from production exceeding consumption for the fourth consecutive year. Forecast large stocks of world cotton carryover in 2013–14 and 2014–15 are expected to place downward pressure on prices.

Graph 3.9 Agricultural raw material price forecast



In addition, if China were to release its cotton stocks onto the world market faster than currently assumed, world prices would be significantly lower than currently forecast.

World cotton production is estimated to decline by 0.3 per cent in 2014–15 to around 25.9 million tonnes, reflecting a 1.9 per cent decline in assumed average lint yield. Cotton production is forecast to increase in the United States and Turkey in 2014–15, where an assumed return to average seasonal conditions is expected after four consecutive years of adverse seasonal conditions. On the other hand, the policy change in China has resulted in a significant decline in cotton planting, which is expected to reduce China's share of world production by 2 percentage points to 25 per cent.

Table 3.5 Agricultural raw material price forecast (index in USD, 2010=100)

Commodity		13/1	13/2	13/3	13/4	14/1	14/2	14/3	14/4	15/1	15/2	15/3	15/4	16/1	16/2	2012	2013	2014	2015
Agricultural raw materials		94	93	94	98	97	96	94	92	93	93	94	95	95	95	93	95	95	94
		4	-1	1	4	0	-1	-3	-2	1	1	0	1	0	0	-16	2	0	-1
Textile fibres		109	103	101	101	103	103	88	87	94	89	88	92	96	100	106	104	95	91
		10	-5	-2	1	2	0	-14	-1	8	-5	-1	5	4	3	-29	-2	-8	-5
Cotton	US	88	91	92	86	94	95	71	68	71	73	75	74	79	83	85	89	82	73
		13	3	1	-6	9	1	-25	-4	4	2	3	-1	7	5	-41	4	-8	-11
Wool	AUS	136	120	113	123	116	114	112	113	124	111	106	117	120	122	134	123	113	115
		7	-12	-6	8	-6	-2	-2	1	11	-11	-5	11	2	2	-14	-8	-8	1
Natural rubber	THAI	89	73	70	70	59	52	49	46	47	48	49	49	48	46	94	75	52	48
		3	-18	-4	0	-15	-13	-6	-6	3	2	1	0	-2	-4	-30	-20	-31	-6
Wood products		93	96	98	103	104	105	103	102	102	103	103	104	104	105	91	97	104	103
		4	3	2	5	2	1	-2	-2	0	1	0	1	0	0	-11	7	6	-1
Softwood	S	94	97	100	105	106	107	103	100	100	101	102	103	104	104	91	99	104	102
		4	3	3	5	1	0	-3	-3	0	1	1	1	1	0	-9	9	5	-2
Woodpulp	FIN	88	91	92	96	98	99	100	101	101	101	101	102	102	102	87	92	100	101
		4	3	1	4	2	1	0	1	0	1	0	0	0	0	-15	5	8	2

World cotton consumption is forecast to increase by 4 per cent in 2014–15 to 24.5 million tonnes. This forecast is based on the effects of lower world prices and an assumed recovery in the world economy, particularly in major apparel consuming countries. Chinese consumption is forecast to increase by 6 per cent to 8 million tonnes. However, low prices for alternative fibres, particularly polyester, are constraining consumption growth in China.

Despite forecast lower production and higher consumption, world cotton stocks should increase in 2014–15 to a record 23 million tonnes. As a result, the world cotton closing stocks-to-use ratio will increase to a record 94 per cent in 2014–15. The increase in world cotton stocks in 2014–15 is forecast to occur outside of China, for the first time in three years, while China's cotton stocks-to-use ratio is forecast to decline for the first time in four years.

World cotton trade should decline by around 11 per cent in 2014–15 to 8 million tonnes. This reflects a reduction in cotton supplies available for export, resulting from lower production and increased domestic demand in some producing countries, and a sharp decline in Chinese import demand.

Wool prices to rise in 2014-15

After a decline in 2012 following a spike in 2011, **wool** prices stabilized somehow during the 2013–14 season. Supported by a depreciating Australian dollar, the average Eastern Market Indicator (EMI) increased by 3 per cent in 2013–14 but declined in US dollar terms. In 2014-15, Wool production and supply are forecast to decline, but limited demand growth in key textile and apparel markets is expected to constrain upward pressure on prices. EMI is expected to increase by 5 per cent in 2014-15. Wool production is set to decrease by 2014-15 despite the better seasonal conditions during autumn and winter across the southern parts of Australia. Shorn wool production is forecast to decrease by around 4 per cent in 2014–15 to 328,000 tonnes (greasy). This would be the lowest production year on record. This reflects a decline in the number of sheep shorn, due to a year of high sheep turn-off on the back of dry conditions and strong demand for sheep meat. The Australian sheep flock is forecast to fall to 71.4 million head in 2014–15, down from 72 million in 2013–14, while the number of sheep to be shorn is forecast to fall to around 74.3 million head.

The volume of wool cut per head is also forecast to decline in 2014–15, resulting from an expected decline in the proportion of wethers in the sheep flock. This reflects the increase in lamb prices relative to wool prices in 2013-14, which typically causes producers to increase lamb production in the hope of higher returns.

World wool apparel demand is firming due to improving demand. The United States and European Union are the largest importers of wool apparel in the world. Demand stemming from the United States should firm up along 2014-2015 as the economy strengthens, since assumed income growth in the United States is expected to support demand for wool apparel. However, Slowing income growth in China and delayed economic recovery in the European Union are expected to prevent significant growth in retail sales of wool apparel and textiles. Imports of wool apparel to these destinations have been declining since 2010, with the largest fall in apparel imported from China. In 2013 US imports of woollen apparel products fell by around 5 per cent to 216 million square meters; around 25 per cent lower than the peak of 289 million square meters imported in 2007. By comparison, imports of polyester apparel have increased by around 42 per cent since 2007 to around 12 000 million square meters. The fall in US imports of wool apparel demonstrates the ongoing shift toward consumption of apparel made from synthetic fibres. Wool, a niche fibre used in the production of luxury goods, represented 1.3 per cent of world fibre production in 2012, down from 5.2 per cent in 1990. Over the same period, the share of cotton fell from 45 per cent to 31 per cent. In contrast, the share of synthetic fibre production increased from 40 per cent to 61 per cent.

Rubber demand is expected to continue growing at a steady rate. According to the International Rubber Study Group, world total rubber consumption continued to grow since April 2014.

Consumption growth should increase at an accelerating rate of 4.1 per cent over 2014, following a steady increase in automobile sales in major markets i.e. China, USA, Eurozone and Japan.

Consumption growth should increase at a rate over 4 per cent over 2015, around 12.4 million tonnes. However, heavy stockpiles in China and Japan should lower apparent demand as consumers there will be able to draw down on reserves instead of importing. China should remain the world's largest consumer in 2014-15 - 35 per cent of the world consumption - but other emerging regions, such as Other Europe, North America and Latin America, should also help to support consumption growth.

Supply should remain abundant due to expanding demand and reducing supply. For the first half of 2014, the production of the members of the Association of Natural Rubber Producing Countries (ANRPC) decreased by 1.6 per cent from 4.917 million tonnes in 2013 to 4.837 million tonnes in 2014, as a result of dry weather conditions across South-east Asia. Despite the actual production data for the first half of the year, the global natural rubber production for 2014 is expected to grow by just 0.1 per cent, at 12.1 million tonnes.

The global surplus of natural rubber is expected to shrink in 2015 as demand expands and farmers reduce tapping because of decreasing prices. Production should outpace demand in 2015 by 202,000 tonnes from 371,000 tonnes in 2014 and 650,000 metric tons last year. Supply increased after record prices three years ago spurred output, while demand slowed as the pace of economic expansion decelerated in China, the biggest buyer. The glut is now contracting as profits decrease for small farmers who represent 80 percent of world supply.

A significant risk for rubber production is the political situation in Thailand, as rubber farmers' participation in ongoing social unrest should have a moderate impact on supply. If the protests continue over the coming months, the labour shortage could affect production more significantly.

Prices should continue declining this year, but turning to moderate rise in 2015.

Despite the quickening pace of consumption growth, it will not be enough to eliminate the substantial market surplus in 2014 and prices are expected to favour consumers. Global natural rubber stocks for 2014 are expected to be at 3.2 million tonnes. The relative weakness of natural rubber prices (they are down 70 percent since their record high in 2011) reflects supply exceeds in the global rubber market and slowing expectations in tire demand in emerging economies, especially China. The fall in crude oil prices also put pressure on prices.

On the other hand, Thai and Malaysian rubber producers have thrown their support behind an Indonesian proposal to set a \$1.50 per kg minimum on prices as the world's top growers attempt to keep their market from being pulled lower by the glut. With a price floor and a stronger demand outlook, prices should recover gradually over 2015.

Sawn wood prices were relatively stable during the first three quarters of 2014. They currently are still lower than before the financial crises starting in 2008. Prices peaked at around 360 USD/ m³ in mid-2007 and fell during the crisis down to 220 US-Dollar/ m³. In the third quarter of 2014 sawn wood prices were around 300 US-Dollar.

Sweden, Russia, Canada and the U.S. are the biggest global sawn wood producers. About 65 percent of the global sawn wood production is consumed domestically, while the remaining 35 percent is traded on international markets. Russian exporting sawmills have increased production to record levels in 2014. Export volumes increased by almost 15 percent in the first half of 2014 in comparison to the same time period last year. Much of the raise in shipments went to China. Swedish producers also shipped more sawn wood in the first half of this year than they did in the same time period in 2013. It is expected that export volumes of Sweden could reach the highest levels in at least seven years. According to the consulting company Wood Resources International global trade of soft wood increased 7 percent in the first six months of 2014 in comparison to the year before.

Sawn wood is mainly used in the construction sector and the furniture industry. Most of the demand comes from the US, China, Europe and Japan. Hence, demand in the U.S., China and Western Europe will be crucial for the development of the global sawn wood prices in 2015 and beyond. It is expected that a constantly higher demand from Asia will support sawn wood prices. The same is true for the U.S., where the rebound of the US home construction market still holds on. The construction industry in Europe is bottoming out and there are signs of stabilisation. To summarize it, sawn wood prices are likely to increase in 2015 and 2016 due to a growing global demand, which is mirrored back in an increasing trade activity worldwide. Significant downward risks on wood prices are to be found in a weakening of the global economic, which would jeopardize the anticipated growth of the worldwide construction sector.

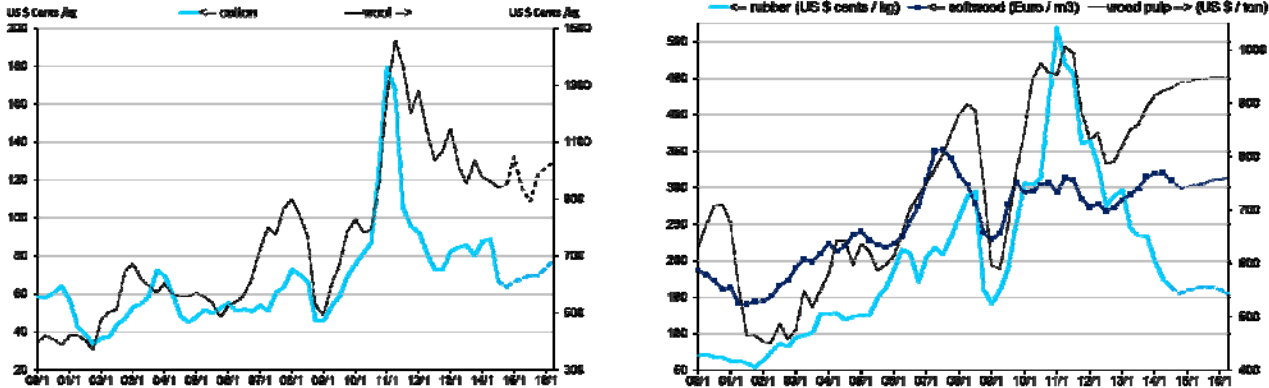
Soft wood **pulp** prices (Northern bleached softwood kraft, NBSK) have fared much better than agricultural raw materials since summer 2012. The main factor is the consolidation of the paper and board industry since the Great Recession in winter 2008/2009, which added to the difficulties of the paper industry, which already faced a long-lasting stagnant demand of NBSK due to e.g. digitalisation of the media. Paper mill closures resulted downward pressure on the paper and pulp prices. The pressure was relieved by pulp mill closures. Since this year, however, the markets have improved and the capacity of soft wood pulp production has started to rise. The other factor explaining the divergent price development of softwood pulp in a group of agricultural commodities are good harvests of food commodities, which depressed their prices.

On the supply side, the rise of the hardwood pulp (Bleached Hardwood Kraft Pulp, BHKP), a partial substitute to the NBSK, production has increased resulting to a unusually large price difference between the NBSK and BHKP.

In winter 2013/14, the price of pulp was supported by the rising paper production and weather related logistic problems especially in the US. The price of soft wood pulp rose rapidly by roughly 50 dollars per tonne from summer 2013 to the beginning of the year 2014. Since the beginning of the year low inventories supported the price, when general economic outlook deteriorated, and the price was relatively stable in February-October 2014.

A solid demand outlook for the NBSK pulp, low inventories despite the strengthened USD are expected to push a NBSK price a bit upwards in the last quarter of 2014. Prices will continue stable until they start a slight rise in the course of 2015 given the strengthening of the world economy. The price rise is cushioned by increasing production of both the NBSK and the other pulp qualities and the intensifying competition of hardwood pulp.

Graph 3.10 Agricultural raw material prices (Index in USD, 2010=100)



3.6 Food and tropical beverages

Graph 3.11 Food and tropical beverages’ price forecast

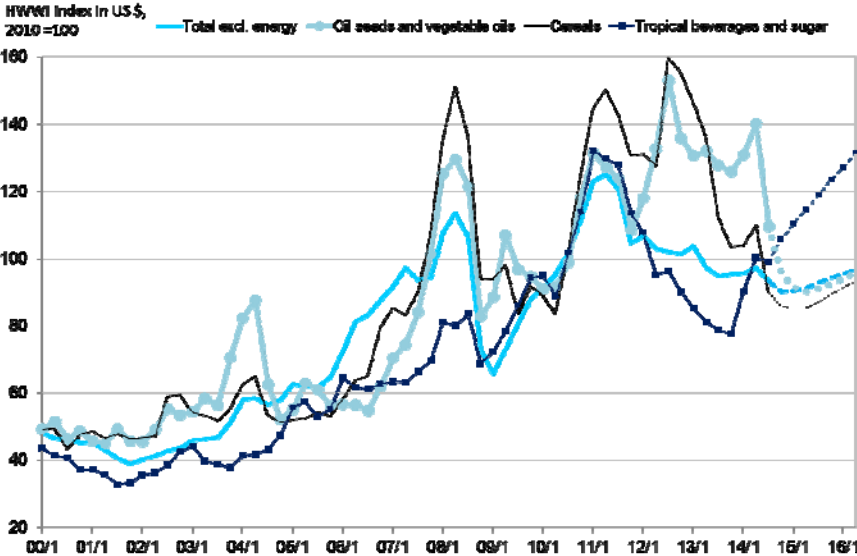


Table 3.6 Food and tropical beverage price forecast (Index in USD, 2010=10)

Commodity		12/3	12/4	13/1	13/2	13/3	13/4	14/1	14/2	14/3	14/4	15/1	15/2	15/3	15/4	16/1	16/2	2012	2013	2014	2015
Food total		133	123	117	113	105	101	108	117	100	97	97	99	101	104	106	109	122	109	106	100
		14	-7	-5	-3	-8	-3	7	8	-14	-3	0	1	3	3	3	3	-5	-11	-3	-5
Cereals		160	155	147	137	112	104	104	110	90	86	85	85	87	89	91	93	143	125	98	87
		25	-3	-6	-7	-18	-8	0	6	-18	-5	-1	0	2	3	2	2	1	-13	-22	-11
Barley	CAN	162	159	152	151	114	91	74	80	76	70	70	73	76	79	82	82	152	127	75	74
		9	-2	-4	-1	-24	-20	-18	8	-5	-9	0	5	4	5	4	0	15	-16	-41	-1
Maize	US	180	172	166	152	114	100	105	112	84	81	80	79	80	84	86	88	161	133	96	81
		27	-5	-3	-8	-25	-12	5	6	-25	-3	-2	-1	1	4	3	3	2	-17	-28	-15
Wheat	US	145	145	128	121	114	116	112	123	102	94	94	96	97	98	100	101	128	120	108	96
		34	0	-12	-5	-6	2	-4	10	-17	-7	0	2	2	1	2	2	-3	-6	-10	-10
Rice	THAI	119	119	121	112	100	88	87	82	89	88	88	88	90	92	94	96	116	105	86	89
		4	0	1	-7	-11	-11	-1	-7	9	-2	0	0	2	2	2	2	6	-9	-18	3
Tropical beverages, sugar		96	90	85	81	79	78	90	100	99	106	110	115	119	124	127	132	97	81	99	117
		1	-6	-5	-5	-3	-1	16	11	-1	7	4	4	4	4	3	4	-23	-17	22	18
Coffee	US,D,F	104	93	90	84	78	71	93	110	108	123	130	138	145	151	157	163	106	81	108	141
		-1	-10	-4	-6	-7	-9	32	18	-2	14	6	6	5	4	4	4	-26	-24	34	30
Cocoa	US	80	78	71	74	79	89	94	99	103	99	102	105	107	109	110	112	77	78	99	106
		9	-2	-10	4	7	12	7	5	5	-4	3	3	2	2	1	1	-20	2	27	7
Tea (avg)	ALL	96	105	101	91	91	93	96	90	89	89	90	93	95	97	98	100	97	94	91	94
		4	9	-4	-10	0	3	3	-6	-2	1	1	2	2	2	1	1	-3	-3	-3	3
Sugar	US	94	88	82	77	75	79	74	77	71	67	67	63	63	67	67	72	97	78	72	65
		-1	-6	-6	-7	-2	6	-7	5	-8	-6	0	-7	0	7	0	7	-21	-19	-8	-10
Oil seeds, vegetable oils		153	136	131	132	128	126	131	140	110	96	91	90	91	92	94	96	135	129	119	91
		15	-11	-4	1	-3	-1	4	7	-22	-12	-5	-1	1	1	2	2	10	-4	-8	-23
Soybeans	US	159	141	138	139	130	124	129	140	105	90	86	84	85	86	88	89	139	133	116	85
		17	-11	-3	1	-7	-4	4	9	-25	-14	-5	-2	1	1	2	2	11	-5	-12	-27
Soybean meal	US	170	151	141	143	144	141	148	161	125	107	102	101	102	103	105	107	143	142	135	102
		23	-11	-7	2	1	-2	5	8	-22	-14	-5	-1	1	1	2	2	24	0	-5	-25
Soybean oil	US	129	118	121	116	104	96	95	97	82	78	75	75	76	78	79	81	124	109	88	76
		3	-8	2	-4	-11	-7	-1	2	-16	-5	-3	-1	2	2	2	2	-5	-12	-20	-14

3.6.1. Grains

International **coarse grain** prices have also been rising in the early part of the year. However, the increase in **maize** prices has been less pronounced than that of wheat, partly due to reduced Chinese imports following the detection of an unapproved genetically modified variety in US maize deliveries. During summer prices then fell steeply from a level of close to 500 ct/bushel in April/May to only 340 ct in September. Corn prices fell by more than 50 per cent below their peak reached in August 2012. While maize production in 2014/15 is forecast to decline from the previous year, the harvest should still be the second largest on record by a substantial margin. Production is currently estimated at 963 mill tons, only 1 percent less than the bumper crop that hit the market in 2013/14. Maize production in the US is expected to increase by 2 per cent to 360 million tons, while output in the European Union is forecast to remain largely stable. Declining production is expected for China and, more significantly, for the Ukraine where the combination of unfavourable seasonal conditions and reduced availability of fertilizers results in a 10 per cent fall in average yields. Coarse grain consumption is forecast to respond to lower prices. In the case of maize global demand is expected to rise by another 2 per cent, following a strong rise of more than 5 per cent in the year before. Feed use will be especially buoyant

with a rise of 2 per cent envisaged for the US as a result of lower prices compared to alternatives and of 5 per cent in China mainly due to an increase in poultry and pig production. In the European Union, however, maize consumption is expected to fall by 4 per cent because the use of maize for feed is expected to be reduced as feed wheat has become more competitive and should be substituted for corn. Increases in food, seed and industrial use will be more limited. Consumption for US ethanol production which had been a major driver of US maize consumption in recent years is projected to remain flat at 165 million tons. In 2014/15, the market is expected to remain in surplus, although only slightly, which should prevent prices from rising significantly. A substantial further decline of prices, however, seems also unlikely given that input costs have risen substantially in recent years. In addition, the level of inventories is still comparatively low as a share of consumption and negative surprises to the outlook for production going forward could easily lead to upward pressure on prices. On an annual average, maize prices in 2015 should be 15 per cent lower after a decrease of 28 per cent in 2014.

International **wheat** prices remained firm in spring supported by concerns about the availability of wheat sparked by unfavourable weather in the US and the escalating crisis in the Ukraine. Our benchmark price, which is for the high protein variety US Hard Red Winter, rose from a low of 628 US-\$ per ton in January to almost 800 US-\$ in May. During summer, however, prices started to decline as markets remained well supplied and expectations built for another bumper crop in 2014/15. In September quotations fell below 600 US-\$ before starting to stabilise. A strengthening US-Dollar and softer mood in the financial markets may have also helped to drive wheat prices lower.

The forecast for global wheat production in the market year 2014/15 (July – June) is for another increase following last year's record of 713 million tons. This is despite a reduction of output in the US by 5 per cent to 55 million tons driven by an expected 7 per cent reduction of average yields and an even stronger reduction by 25 per cent in Canada where not only yields but also harvested area has been significantly reduced. At the same time, however, production has increased markedly in Argentina, India and China and, most notably, in Europe. Increases in production are expected to be particularly strong in Russia (+15 per cent to 60 million tons) where growing conditions through the year have been almost ideal. Production in the Ukraine is expected to around be last year's level; losses due to the conflict with Russian-backed separatists seem to be limited. In the European Union, wheat production is forecast to rise by 4 per cent to almost 150 million tons supported by generally favourable weather conditions. Wheat consumption is projected to rise only modestly by 1.5 per cent mainly due to increased human consumption as a result of population growth. Increases in use for feed will be limited on the whole. While in the European Union quality downgrades have increased the supply of feed wheat at favourable prices compared with alternatives, feed use is forecast to fall in most other parts of the world, especially the US where plentiful supplies of corn at relatively favourable prices are expected. All in all global wheat consumption is projected to rise in 2014/15 to 707 million tons, leaving the market in surplus for a second consecutive year. Given already relatively

high levels of inventories, downward pressure on wheat prices is expected to remain for the time being. Assuming normal (and generally less benign) growing conditions going forward, a more moderate view of future production could give some support to prices. But there is also a significant risk that positive production outlook in an oversupplied market could lead to another drop in prices over the forecast horizon. For 2015 as a whole, we expect a year-on-year decline of prices by around 10 per cent, the same rate as envisaged for the current calendar year.

International **rice** prices continued to decrease until mid-2014, but have picked up in recent months. Quotations of the Thai 5% broken variety – our benchmark price – rose from 410 US-dollars in April and May, the lowest level since January 2008, to around 450 dollars in recent weeks. The decline of prices materialized against the background of ample inventories and can in part be explained by sluggish demand. In the case of Indica, which is the main variety supplied by Thailand, an important factor was uncertainty about the impact on the market of the suspension in February of the Thai government's rice pledging scheme aimed at higher domestic producer prices. The recent increase probably reflects reduced availability of exports given a deteriorating outlook for production in India. Production in the market year 2014/15 (August/July) is estimated to match the previous year's record level of 476m tons. Output in the 5 main exporting countries is expected to decline by 2 million tons with a substantial reduction in Indian production due to both lower yields and reduced area, more or less stable production in Thailand and Vietnam, and sizeable increases in two smaller producers USA and Pakistan. With lower availability in India and efforts of Thai authorities to sell some of the stocks accumulated in recent years, Thailand is expected to regain its traditional position as the world's largest exporter that had been held by India in the past three years. At the same time, production in other main producing countries, including China, Indonesia and Bangladesh is projected to rise by around 2 million tons. Consumption is seen to continue to grow at a rate of close to 2 per cent, most of it going to direct human consumption. While per capita consumption in Asia is slowing as income growth enables an increasing number of people to raise the share of wheat-based food and meat in its diet, rice is getting increasingly important elsewhere, especially in Africa. With demand outpacing production, the market that had been almost balanced in 2013/14 is expected to slip into deficit, which should fundamentally support prices in the next year. The outlook for prices, however, continues to depend on the assumption about government policy in Thailand. The government is sitting on a large amount of inventories, and the fiscal cost of the abandoned rice pledging scheme has been immense. So far the government has managed to increase exports without severely disrupting the market. We expect that it will continue engineer its exports in a way that world market prices are not massively depressed. On the other hand it is likely to use any sustained period of higher prices or increased demand on the world market to unload some of its rice inventories thereby limiting the upside to prices. All in all, we expect rice quotations to inch up slightly in the course of next year. On an annual average comparison, rice prices are forecast to increase by 3 percent following a drop of almost 18 per cent in 2014.

At the beginning of 2014, dry weather in South America jeopardised big parts of the local **soybean** crop and prices reached more than 1.450 US¢/60lb and hit the highest level since ten months. But following rainfalls in Brazil and Argentina calmed the soybean market and due to the better crop outlook prices started to decline again. Behind the U.S., Brazil and Argentina are the worldwide biggest soybean producers. In the third quarter 2014 this year prices were set under further downward pressure because of the announcement of the U.S. Department of Agriculture (USDA) that the coming soybean harvest in the U.S. will reach a record level. As a response to this, soybean prices fell under 915 US¢/60lb in September.

The USDA forecast for the global soybean production is 311 million tonnes in season 2014/15. This estimate reflects a year to year increase of 9 percent in comparison to the last season and a 30 percent increase compared to season 2011/2012. The USDA estimates for the season 2014/15 that in the US around 107 million tonnes, in Brazil 94 million tonnes and in Argentina 55 million tonnes will be harvest.

Worldwide demand of soybeans strongly depends on China, which is the worldwide biggest soybean importer. China uses soybeans especially for animal feed. Rising incomes in China will lead to higher consumption of meat and cooking oils. China's soybean use has been the key price driver on the market during the last years. China's forecasted 74 million tonnes of imported soybeans account for more than 66 percent of the worldwide traded soybeans in 2013/14.

The increasing worldwide supply demand balance helped to refill the global soybean inventories. In comparison to other seasons the soybean supply situation is comfortable. Worldwide ending stocks will rise from 66.5 million tonnes in the last season to 90.7 million tonnes in 2014/15. As a result, soybean prices as well as meal and oil prices should stay under pressure in the forthcoming months. The data of the USDA show that the global soybean demand is expected to expand less than the worldwide supply in season 2014/15.

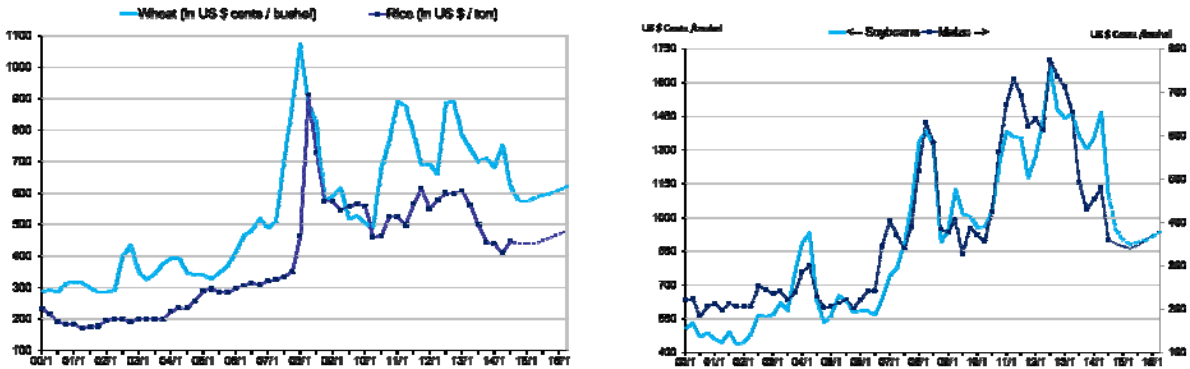
The ample supply supports decreasing soybean prices in the first part of 2015. With soybean prices continuing to decline into the next season, farmers have to sell a larger volume of soybeans for realizing an appropriate cash flow. In accordance with this extra supply, soybean prices will be set under further downward pressure. But stronger Chinese soybean consumption should limit these price decreases. The decline in soybean prices is not expected to be as strong as in the third quarter of 2014 because the recent crop in the U.S., which was causing the latest decrease, was extraordinary good and are now priced in.

It is likely that soybean price decreases will lose momentum in the second half of 2015 and start to slightly increase due to the remaining strong Chinese demand growth. Furthermore, the increasing industrial use of soybean oil, especially the biodiesel production in Argentina and Brazil, are likely to support soybean prices.

The major risk on the upward side is unpredictable bad weather conditions in the main growing regions in South America and in the U.S. Furthermore, the transport and storage problems in Brazil,

which have a negative impact on the soybean supply, could intensify pressure on prices in the next years unless the South American country invests more in its infrastructure. On the downward side there is a risk of slower economic growth in China, which would lead to lower soybean demand. Additionally, a decrease of crude oil prices could diminish the incentive to produce biodiesel, which would reduce the demand for soybeans and hence its prices.

Graph 3.12 Grain price forecast (wheat, rice, maize and soybeans)



3.6.2. Tropical beverages and sugar

The monthly average coffee price index of the International Coffee Organization (ICO) declined from over 230 US cents/lb in April 2011 to 101 US cents/lb in November 2013 due to good harvests in main coffee growing regions. In the first quarter of 2014 the coffee prices started to rise strongly. Since the beginning of 2014 daily prices increased from less than 105 US cent/lb to around 175 US cents/lb at the beginning of October 2014, corresponding to a price increase of 67 percent. This strong price increase was caused by extreme dry weather in Brazil which started in last December. Brazil mostly harvests the high quality Arabica coffee and accounts for around 40 percent of the global coffee production.

At the end of September 2014 coffee prices were further supported by the news that the weather is to dry during the flowering time of the coffee trees in Brazil, which increases the likelihood of harming big parts of the coffee crop in the season 2014/15. Unseasonable rainfalls in July caused coffee trees to flower prematurely. The rainfalls were followed by dry weather. The lack of humidity can force the trees to drop its flowers and not build cherries.

The ICO estimates that the worldwide coffee production of season 2013/2014 is 145.2 million bags, around 200.000 bags more than last season. But for the next season, a significant lower production is expected. A coffee production of slightly over 45 million bags is forecasted for the Brazilian market, which would be the lowest level since the season 2011/12. Furthermore in Central America the outbreak of the coffee leaf rust disease reduced the crop of all major coffee producing countries and

only a slight recovery is expected for the next crop year. After the coffee production in Central America had declined by 18 percent in 2013, a reduction of 2 percent is expected in 2014.

The Colombian cumulative production in 2013/2014 recovered from supply losses in the years before and reached around 12 million bags. But the crop is currently in danger due to an insect infestation. The so called broca beetles bore into coffee cherries. The spread of the insects darkens the outlook for the coming crop. In contrast for Vietnam – the main grower of Robusta coffee – is expected that coffee production is quite good and reaches over 27 million bags in season 2013/14, which is almost the record harvest of last year.

The ICO estimates that the worldwide coffee demand is 145.2 million bags in 2013, nearly unchanged in comparison to the previous year. Over the last four years, the demand for coffee has grown by 2.1 percent on average. This growth trend is mainly driven by a rising consumption of coffee in exporting countries like Brazil (+3.1 %). Furthermore, increasing demand from the emerging markets has a positive impact on the worldwide coffee consumption (+2.7 %). People in China mainly drink tea, but the Chinese growth rate for coffee consumption is strongly going upwards, albeit from a low level. Pronounced demand increases from the traditional coffee markets in the U.S. and Europe are not expected. Both markets are saturated and show only low growth rates (+1.3 %). In summary, the supply and demand is balanced in the season 2013/14.

But the outlook of a global supply deficit in season in the next two seasons will support the coffee prices in 2015 and 2016. In the forecast horizon, crop losses in main producing regions and the increasing coffee demand will strengthen the fear of a global shortage. Furthermore, there are worries that the drought that occurred at the beginning of 2014 in Brazil, which caused massive coffee tree damages, will also have a negative effect on the following crop seasons. This will support prices and trigger price increases in 2016. Only the good supply outlook for Vietnam is expected to ease the anticipated global coffee shortage.

Cocoa prices steadily increased between the January and the middle of September this year. Expectations that the cocoa market would exhibit a supply deficit in the second consecutive year pushed prices up. But in the following this expectations were proofed to be wrong due to good weather conditions. From the start of the year to the maximum in September cocoa prices increased by more than 25 percent. In the middle of September 2014 cocoa prices reached a three year high at nearly 3400 US-Dollar per tonne. Worries about the further spread of the Ebola virus and its possible impact on the cocoa production in West Africa intensified the price increases. West Africa accounts for around 70 percent of the global cocoa production; most of it is harvested in the Ivory Coast and in Ghana. In the second part of September cocoa prices declined until the beginning of October by 8 percent. News about favourable weather and therefore good prospect for the growing conditions in the cocoa production regions in West Africa weakened the prices.

According to the International Cocoa Organisation (ICCO), global cocoa production is expected to rise by more than 10 percent and reach 4.3 million tonnes in 2013/14. Last season's crop worldwide was

around 3.9 million tonnes. The ICO reports that in the season 2013/14 the Ivory Coast produced 1.74 million tonnes of cocoa beans. This is a record harvest, representing an increase of around 300.000 tonnes compared to the previous season. The Ghana Cocoa Board also announced that the crop in the West African country was excellent in the season 2013/14 due to favourable weather conditions. It is estimated that Ghana produced 920.000 tonnes, 85.000 tonnes more in comparison to the season before. Finally the ICCO also gives an optimistic outlook for the global crop in the season 2014/15. According to the ICCO, worldwide cocoa grindings – standing for the cocoa demand – will be 4.26 million tonnes, up by 3.7 percent in comparison to last season. Its grinding figures show that the demand from the traditional Europe market is strong and owns around 38 percent of worldwide grindings. Nevertheless, the cocoa grindings activity increased in all regions. Especially the cocoa producing countries in West Africa planned to boost their local processing activities over several years.

The expectations of a cocoa supply deficit in the season 2013/14 were proved to be wrong and most of the analyst had to make a forecast revision of a surplus. The ICCO corrected its projections to a global supply surplus of 40,000 tonnes. After last season's deficit of 208,000 tonnes the surplus will help to refill stocks and is expected to have a positive impact on the stocks to grindings ratio in 2013/14.

But nevertheless this ratio – which is the critical factor for determining the market's performance – is expected to fall from 39.4 percent in last season to 38.9 percent in this season. The explanation for this decline in the ratio is to be found in the fact that the increase in grindings by 3.7 percent (+151,000 tonnes) is overcompensating the smaller raise in stocks, which is 2.5 percent (+40,000 tonnes).

For the season 2014/15 it is likely that the global cocoa market will be in a supply deficit although the outlook for the next crop in West Africa is positive. But the production gains are expected to be compensated by an even stronger worldwide cocoa demand growth. Big consumption gains in China, India and Brazil are possible and should support cocoa prices in the future. Furthermore, the demand in Europe and the U.S. is still strong. This increasing trend on cocoa consumption supports higher prices and triggers price rises. But the strategy of chocolate producers to use more nuts and fruits in their products could relieve pressure on the supply-demand balance.

A downward risk on cocoa prices would be a slower growth of the global economy, which would reduce the consumption of chocolate especially for luxury dark chocolate. The producing process of dark chocolate generally needs more cocoa beans than the process of milk chocolate.

Another downward risk on cocoa prices is coming from the announcement of the Ivory Coast's government to raise the guaranteed minimum price for the cocoa deliveries from the farmers. As a result it is likely that investments in the cocoa sector increase there. The incentive to buy more inputs like fertilizer and plant new trees is strengthened for the farmers. This would reduce concerns about the worldwide cocoa plantations not being sufficient to match the worldwide increasing chocolate demand. A bigger cocoa production due to an intensified use of fertilizer and insecticides is therefore expected to have a cushioning effect on rising prices in 2015 and 2016.

Tea prices decreased from a high of more than 300 US¢/kg in February 2014 to nearly 260 US¢/kg in September 2014. This price decline of 13 percent can be explained by a supply surplus in the main tea growing regions. For example, above average rainfall in tea growing zones in Kenya led to strong production increases there.

Overall, global tea production increased in 2013 by 6.5 percent to 4.9 billion kg from 4.61 billion kg in 2012. Thereby, China was the biggest producer with 1.925 billion kg, followed by India with 1.2 billion kg. Another important tea producer was Kenya with an output of 433 million kg and Sri Lanka with 340 million kg. In 2014 the carry over crop from 2013 put a downward pressure on tea prices. From January to August 2014 tea production in North India reached 543.6 million kg as compared to 561.6 million kg in the same time period last year. North India suffered under too hot weather and lack of rain.

The crop losses in the North were to a large extent compensated by a good tea harvest in South India, which reached 158.5 million kg until August 2014. In comparison 147.7 million kg was harvested in the same period 2013. Hence, in India only a small supply deficit of 30 million kg is expected for the whole 2014. But this deficit could increase due to bad weather conditions that could cause crop losses. In India there are worries that a lower number of rainy days, a strong rise in maximum temperature due to climate change is leading to lower tea output in the coming years.

In contrast to India, the projection for the tea crop in Kenya is positive. It is likely that the exceptional good harvest of last year will be nearly repeated in 2014. According to the Kenyan Tea Board 225.3 million kg were produced between January and July 2013, in comparison to 224.8 during the same time period in 2014. The production figures from Kenya are so far promising for the whole year 2014. The increase of worldwide tea demand was mainly caused by rising consumption from India and China. Tea consumption is forecast to rise 3.5 percent in 2014. Currently, Asia is accounting for around 50 percent of the global demand for tea. The majority of production in India was consumed by the fast-growing domestic demand. In general, the Asian demand is strengthened by higher standards of living and population growth.

During 2015 and also in 2016, tea prices are expected to be supported by an increasing worldwide demand. Much of the consumption growth will come from China and emerging economies in Asia. Nevertheless, pronounced price increases are unlikely because it is expected that global tea production will stay on a high level. The global tea market is still marked by a supply surplus, but which is expected to decline in 2014 and a supply deficit is possible thereafter. This outlook of a decreasing supply surplus is supported by the concerns over the tea production in India and Sri Lanka. To sum it up, unless no extreme production declines occur, for example due to erratic weather conditions, limited price rises are likely in the tea market.

World sugar prices firmed slightly in spring 2014 in response to dry weather conditions in Brazil, the world's first producer, after having continued its downward trend through most of 2013. However, prices fell back in recent months as it became clear that the losses in Brazilian output would be limited

and would be accompanied by higher production elsewhere in the world, especially in Asia. As a result, the market is expected to remain in surplus in 2014/15, although only by a small margin. Given abundant inventories prices remained structurally under pressure. In September the benchmark price (sugar No. 11 New York) fell below 15 US-ct/pound for the first time in 4 years before it gained some ground again, hovering around 16 cent in October.

Global raw sugar production in the 2013/14 market year (October to September) stood at 184 m tons, only marginally down from the record output of 185 mtons reached in 2012/13. Current estimates of sugar production in 2014/15 see global output at similar levels. From a regional perspective, sugar production in Brazil is expected to decline by 2 per cent to 39 million tonnes as a result of the drought in Brazil's centre south region, which produces around 90 per cent of its sugar cane. In 2015 sugar output should also be dampened by a higher share of cane diverted to ethanol production as the government plans to increase the ethanol blending ratio for fuel to 27.5 per cent. At the same time, however, production in India and Thailand is forecast to increase, reflecting higher yields due to good monsoon rains in the case of the former and increased area planted in response to the government redirecting of subsidies from rice production to sugar production in the latter country. A significant increase in sugar production is also expected for the EU and Eastern Europe.

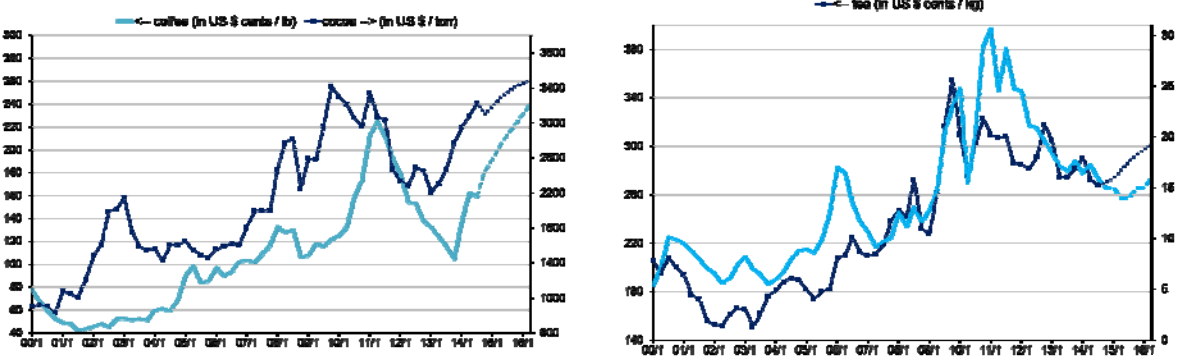
Consumption growth is influenced by a number of factors, including consumer preferences, government policies and the price of sugar relative to alternative sweeteners, but the main drivers are population growth and per capita income. Thus growth is predominantly taking place in the developing world. With prices having moderated substantially and the outlook of a gradual acceleration in global economic growth in 2015, global sugar consumption in 2014/15 should pick up. However, the acceleration of income growth is projected to predominantly occur in the advanced economies and remain modest in the emerging economies. With sugar markets in advanced economies being almost saturated – per capita consumption of sugar is actually on a secular declining trend in the developed countries – the structure of global economic growth suggests that the increase in the growth rate of global sugar consumption will be limited and remain close to 2.5 per cent.

As a consequence of three consecutive years of close to record output in combination with modest consumption growth the huge positive gap between production and utilization that had emerged in previous years is going to be closed only slowly. After three years of substantial excess production, inventories have risen to historically high levels of almost 45 per cent of utilization and are expected to remain at this level in the coming year.

Against this background, we expect world sugar prices to remain under pressure for the time being. We nevertheless expect that prices will not drop significantly further going forward and remain substantially above the levels prevailing ten years ago. One reason is that in the meantime input costs have strongly increased. Fundamental support should also continue to come from increasing demand for sugar cane and beet from the biofuel sector. We forecast that world sugar prices remain around current levels over most of the forecast horizon. On an annual average, however, we expect prices to

decrease by a further 10 per cent in 2015, following declines of 7.6 per cent in 2014 and almost 20 per cent in 2013.

Graph 3.13 Tropical beverages and sugar price forecast



Appendix 1. Trade Statistics

Import volumes of goods

(annual percentage change)

	Weights	2013	2014	2015
World	100.0	2.8	3.6	4.6
<i>Memo: world exports</i>		2.9	3.5	4.8
Advanced economies	52.2	0.9	3.1	3.7
Euro Area	23.5	0.7	2.9	3.2
Austria	1.0	0.9	1.7	3.0
Belgium	2.0	0.7	1.5	3.0
Germany	6.6	1.8	5.0	4.5
Spain	1.9	1.5	4.0	3.0
Finland	0.5	0.3	-0.5	2.0
France	3.7	0.9	2.2	2.2
Greece	0.3	4.0	5.0	5.4
Ireland	0.9	0.6	4.0	4.5
Italy	2.6	-3.5	1.2	2.9
Luxembourg	0.4	4.4	3.9	5.1
Netherlands	2.6	-0.5	1.0	2.0
Portugal	0.4	3.0	4.3	4.2
Slovenia	0.1	2.9	4.1	5.5
United Kingdom	3.7	1.0	1.0	3.0
Sweden	1.0	-2.4	4.0	5.8
Denmark	0.7	3.4	2.5	3.7
Switzerland	1.8	0.6	4.0	4.4
United States	12.3	0.9	4.4	5.5
Japan	4.3	3.3	5.0	1.9
Australia	1.4	-3.5	-0.3	0.4
New Zealand	0.2	6.5	2.3	2.7
Canada	2.6	1.8	2.0	3.5
Norway	0.6	1.3	-1.2	2.0
Iceland	0.0	1.3	-1.2	2.0
Emerging Economies	47.8	4.8	4.1	5.7
C+E Europe	8.7	2.2	1.5	3.0
Poland	1.1	1.2	7.0	6.3
Hungary	0.5	3.2	6.0	5.5
Czech Republic	0.6	0.9	8.0	5.9
Emerging Asia	25.8	5.2	5.0	6.8
China	9.5	9.3	3.0	6.5
Other Asia	16.3	3.0	3.9	7.0
Latin America	5.9	3.6	2.8	4.4
Africa + Middle East	7.5	7.1	5.0	6.0

Export volumes of goods

(annual percentage change)

	Weights	2013	2014	2015
World	100.0	2.9	3.5	4.8
<i>Memo: world imports</i>		2.8	3.6	4.6
Advanced economies	50.3	1.2	3.1	3.7
Euro Area	24.7	0.7	2.9	3.3
Austria	1.0	3.1	2.3	3.5
Belgium	1.9	2.0	2.5	3.0
Germany	7.4	1.5	3.0	4.5
Spain	2.0	7.2	3.3	6.0
Finland	0.5	0.4	0.2	2.3
France	3.4	1.6	1.7	2.5
Greece	0.3	2.7	3.4	4.0
Ireland	1.1	1.1	5.2	4.0
Italy	2.7	0.6	1.5	2.0
Luxembourg	0.5	1.4	2.3	5.4
Netherlands	2.9	0.3	2.7	3.5
Portugal	0.4	5.0	4.5	4.7
Slovenia	0.2	1.0	2.0	3.1
United Kingdom	3.4	0.5	-0.5	3.0
Sweden	1.1	-2.8	1.7	5.0
Denmark	0.8	1.5	2.5	3.0
Switzerland	2.1	0.8	3.5	3.4
United States	9.8	2.8	3.5	5.0
Japan	3.6	-0.6	5.0	2.5
Australia	1.3	6.8	6.2	5.9
New Zealand	0.2	1.3	1.7	1.2
Canada	2.4	2.2	5.0	4.8
Norway	0.9	2.3	2.8	5.0
Iceland	0.0	-1.0	6.4	7.7
Emerging Economies	49.7	4.6	4.0	5.9
C+E Europe	8.7	4.0	3.0	4.2
Poland	1.1	4.6	4.1	5.1
Hungary	0.5	4.4	6.5	5.2
Czech Republic	0.7	1.0	8.3	5.1
Emerging Asia	26.6	6.4	5.5	6.8
China	10.2	9.6	6.5	6.8
Other Asia	16.3	5.0	6.0	7.2
Latin America	5.4	1.7	3.8	5.9
Africa + Middle East	9.0	1.7	0.4	5.0

Import prices of goods (in national currency)

(annual percentage change)

	Weights	2013	2014	2015
World	100.0	-0.4	-0.3	-0.4
<i>Memo: world export prices</i>		-0.8	-0.1	-0.1
Advanced economies	52.2	-0.1	-0.1	0.8
Euro Area	23.5	-1.1	-1.3	1.0
Austria	1.0	-0.3	-1.0	0.5
Belgium	2.0	0.5	-0.4	1.1
Germany	6.6	-1.6	-1.6	0.5
Spain	1.9	1.1	-1.3	2.2
Finland	0.5	1.1	-0.6	1.8
France	3.7	-1.9	-2.0	1.0
Greece	0.3	-1.8	-0.3	0.5
Ireland	0.9	-0.2	0.9	0.9
Italy	2.6	-2.1	-1.7	2.1
Luxembourg	0.4	-0.5	0.4	1.0
Netherlands	2.6	-1.7	-1.3	0.6
Portugal	0.4	-2.3	-2.0	0.2
Slovenia	0.1	-1.6	-0.9	1.1
United Kingdom	3.7	-0.1	-1.5	-1.5
Sweden	1.0	-3.8	1.3	-0.2
Denmark	0.7	-2.2	0.2	1.5
Switzerland	1.8	-0.5	1.0	2.0
United States	12.3	-1.0	-0.2	-0.5
Japan	4.3	8.3	4.0	1.5
Australia	1.4	3.1	3.7	5.9
New Zealand	0.2	-4.8	2.2	8.1
Canada	2.6	0.8	2.3	2.9
Norway	0.6	2.3	3.0	1.1
Iceland	0.0	-1.6	-5.9	1.0
Emerging Economies*	47.8	-0.7	-0.5	-1.7
C+E Europe*	8.7	-0.1	-0.4	0.7
Poland	1.1	-0.9	-2.6	5.1
Hungary	0.5	1.3	5.1	4.7
Czech Republic	0.6	-0.3	5.1	8.5
Emerging Asia*	25.8	-0.7	0.0	-2.8
China	9.5	-1.8	-0.7	-3.0
Other Asia*	16.3	-2.4	-1.2	-3.2
Latin America*	5.9	-0.3	-2.5	-0.3
Africa + Middle East*	7.5	-1.8	-1.1	-1.5
* Prices in USD				

Import prices of goods (in USD)

(annual percentage change)

	Weights	2013	2014	2015
World	100.0	-0.7	-0.5	-2.6
Advanced economies	52.2	-0.7	-0.5	-3.4
Euro Area	23.5	2.1	-1.2	-5.2
Austria	1.0	3.0	-0.9	-5.9
Belgium	2.0	3.8	-0.3	-5.3
Germany	6.6	1.7	-1.5	-5.9
Spain	1.9	4.4	-1.2	-4.2
Finland	0.5	4.4	-0.5	-4.6
France	3.7	1.4	-1.9	-5.4
Greece	0.3	1.4	-0.2	-5.9
Ireland	0.9	3.1	1.0	-5.5
Italy	2.6	1.2	-1.6	-4.3
Luxembourg	0.4	2.8	0.5	-5.4
Netherlands	2.6	1.6	-1.1	-5.8
Portugal	0.4	1.0	-1.8	-6.2
Slovenia	0.1	1.7	-0.7	-5.3
United Kingdom	3.7	-1.4	4.7	-4.8
Sweden	1.0	0.1	-4.1	-6.6
Denmark	0.7	0.8	0.5	-4.9
Switzerland	1.8	0.7	3.0	-4.4
United States	12.3	-1.0	-0.2	-0.5
Japan	4.3	-14.1	-2.3	0.2
Australia	1.4	-3.9	-1.7	-0.5
New Zealand	0.2	-3.6	2.8	1.7
Canada	2.6	-2.2	-1.4	-3.5
Norway	0.6	1.3	-2.7	-5.3
Iceland	0.0	0.6	0.0	-5.4
Emerging Economies*	47.8	-0.7	-0.5	-1.7
C+E Europe*	8.7	-0.1	-0.4	0.7
Poland	1.1	2.1	-2.4	-1.3
Hungary	0.5	2.0	1.6	-1.7
Czech Republic	0.6	-0.2	-0.6	2.1
Emerging Asia*	25.8	-0.7	0.0	-2.8
China	9.5	0.8	4.2	-9.4
Other Asia	16.3			
Latin America*	5.9	-0.3	-2.5	-0.3
Africa + Middle East*	7.5	-1.8	-1.1	-1.5
* Prices in USD				

Export prices of goods (in national currency)

(annual percentage change)

	Weights	2013	2014	2015
World	100.0	-0.8	-0.1	-0.1
<i>Memo: world import prices</i>		-0.4	-0.3	-0.4
Advanced economies	50.3	-0.1	-0.5	0.4
Euro Area	24.7	-1.1	-1.3	1.0
Austria	1.0	-1.2	-0.5	0.5
Belgium	1.9	0.1	-1.0	1.0
Germany	7.4	-0.4	-0.4	0.9
Spain	2.0	-1.9	-1.7	0.8
Finland	0.5	-0.8	-0.5	0.9
France	3.4	-0.6	-1.0	0.5
Greece	0.3	-1.0	0.0	1.0
Ireland	1.1	-0.3	0.6	1.0
Italy	2.7	-0.3	-0.1	1.3
Luxembourg	0.5	-1.0	1.5	1.2
Netherlands	2.9	-0.5	-1.3	0.4
Portugal	0.4	1.3	-0.1	-0.5
Slovenia	0.2	1.8	-1.4	-1.0
United Kingdom	3.4	1.7	-3.0	-1.5
Sweden	1.1	-3.2	1.8	-0.1
Denmark	0.8	-3.2	0.3	0.7
Switzerland	2.1	-0.7	2.0	2.0
United States	9.8	-0.5	-0.5	-1.5
Japan	3.6	6.6	3.0	2.0
Australia	1.3	-0.5	-2.7	1.5
New Zealand	0.2	2.9	-0.1	1.5
Canada	2.4	1.0	3.0	1.0
Norway	0.9	1.5	2.2	-1.0
Iceland	0.0	5.0	-4.4	-2.4
Emerging Economies*	49.7	-1.6	0.3	-0.5
C+E Europe*	8.7	-0.3	4.0	-1.5
Poland	1.1	0.9	0.4	4.8
Hungary	0.5	1.1	4.4	4.0
Czech Republic	0.7	1.2	5.4	4.0
Emerging Asia*	26.6	-2.0	-1.0	1.0
China	10.2	-0.6	-1.8	-1.1
Other Asia*	16.3	-2.8	-0.7	3.0
Latin America*	5.4	-0.3	3.0	-2.0
Africa + Middle East*	9.0	-2.3	-1.2	-3.5
* Prices are in USD				

Export prices of goods (in USD)

(annual percentage change)

	Weights	2013	2014	2015
World	100.0	-0.8	-0.1	-2.4
<i>Advanced economies</i>	<i>50.4</i>	<i>-0.1</i>	<i>-0.5</i>	<i>-4.2</i>
Euro Area	24.2	2.7	-0.5	-5.5
Austria	1.0	2.1	-0.4	-5.9
Belgium	1.8	3.4	-0.8	-5.4
Germany	7.2	2.9	-0.2	-5.5
Spain	1.9	1.4	-1.6	-5.6
Finland	0.5	2.5	-0.4	-5.5
France	3.4	2.7	-0.9	-5.9
Greece	0.3	2.3	0.1	-5.4
Ireland	1.0	3.0	0.7	-5.4
Italy	2.7	3.0	0.0	-5.1
Luxembourg	0.4	2.2	1.6	-5.2
Netherlands	2.9	2.8	-1.2	-6.0
Portugal	0.4	4.6	0.1	-6.9
Slovenia	0.2	5.0	-1.3	-7.4
United Kingdom	3.5	0.4	3.2	-4.8
Sweden	1.1	0.6	-3.7	-6.5
Denmark	0.8	-0.1	0.6	-5.7
Switzerland	1.9	0.5	4.0	-4.4
United States	9.8	-0.5	-0.5	-1.5
Japan	4.1	-15.8	-3.3	0.7
Australia	1.4	-7.5	-8.1	-4.9
New Zealand	0.2	4.1	0.6	-4.9
Canada	2.4	-2.0	-0.7	-5.4
Norway	0.9	0.5	-3.5	-7.4
Iceland	0.0	7.3	1.5	-8.8
Emerging Economies*	49.6	-1.6	0.3	-0.5
C+E Europe*	8.7	-0.3	4.0	-1.5
Poland	1.0	3.9	0.5	-1.6
Hungary	0.5	1.8	0.9	-2.4
Czech Republic	0.7	1.2	-0.4	-2.4
Emerging Asia*	26.1	-2.0	-1.0	1.0
China	9.7	2.0	3.1	-7.5
Other Asia	16.3			
Latin America*	5.6	-0.3	3.0	-2.0
Africa + Middle East*	9.3	-2.3	-1.2	-3.5
* Prices in USD				

Appendix 2. Commodity price indices

Commodity	Weight	13/1	13/2	13/3	13/4	14/1	14/2	14/3	14/4	15/1	15/2	15/3	15/4	16/1	16/2	2012	2013	2014	2015
All commodities¹	100	125	118	125	122	122	124	117	105	106	106	109	108	111	113	125	123	117	107
		3	-6	6	-2	-1	2	-5	-10	0	0	3	-1	3	1	-3	-2	-4	-9
Total excl. energy	20.8	104	97	95	95	96	97	93	90	91	93	94	96	97	103	98	98	94	92
		2	-6	-3	0	0	2	-4	-3	1	1	2	2	1	1	-13	-5	-4	-2
Food total	5.5	117	113	105	101	108	117	100	97	97	99	101	104	106	109	122	109	106	100
		-5	-3	-8	-3	7	8	-14	-3	0	1	3	3	3	3	-5	-11	-3	-5
Cereals	1.4	147	137	112	104	104	110	90	86	85	85	87	89	91	93	143	125	98	87
		-6	-7	-18	-8	0	6	-18	-5	-1	0	2	3	2	2	1	-13	-22	-11
Tropical beverages, sugar	2.1	85	81	79	78	90	100	99	106	110	115	119	124	127	132	97	81	99	117
		-5	-5	-3	-1	16	11	-1	7	4	4	4	4	3	4	-23	-17	22	18
Oilseeds, vegetable oils	1.9	131	132	128	126	131	140	110	96	91	90	91	92	94	96	135	129	119	91
		-4	1	-3	-1	4	7	-22	-12	-5	-1	1	1	2	2	10	-4	-8	-23
Industrial raw materials	15.4	99	92	92	93	91	90	91	88	88	89	90	91	92	93	96	94	90	89
		6	-7	0	2	-2	-1	1	-3	1	1	1	1	1	1	-16	-3	-4	-1
Agricultural raw materials	4.3	94	93	94	98	97	96	94	92	93	93	94	95	95	95	93	95	95	94
		4	-1	1	4	0	-1	-3	-2	1	1	0	1	0	0	-16	2	0	-1
Textile fibres	0.2	109	103	101	101	103	103	88	87	94	89	88	92	96	100	106	104	95	91
		10	-5	-2	1	2	0	-14	-1	8	-5	-1	5	4	3	-29	-2	-8	-5
Wood products	3.1	93	96	98	103	104	105	103	102	102	103	103	104	104	105	91	97	104	103
		4	3	2	5	2	1	-2	-2	0	1	0	1	0	0	-11	7	6	-1
Non-ferrous metals	7.9	96	87	85	85	84	87	93	90	91	92	94	95	96	96	96	88	89	93
		1	-10	-2	0	-1	4	6	-2	1	1	2	1	1	1	-14	-8	0	5
Ferrous raw materials ²	3.2	113	102	105	108	102	90	82	75	75	74	75	77	77	79	103	107	87	75
		19	-10	3	3	-6	-12	-9	-8	0	-1	1	2	0	4	-18	3	-18	-14
Energy raw materials	79.2	131	123	133	130	128	131	124	109	109	110	113	112	115	117	131	129	123	111
		3	-6	8	-2	-1	2	-6	-12	0	0	3	-1	3	1	0	-1	-5	-10
Coal ³	4.5	94	87	79	86	80	76	71	67	67	66	65	65	66	67	99	86	74	66
		5	-7	-9	9	-7	-6	-7	-5	0	-2	-2	0	2	2	-20	-12	-15	-10
Crude oil	74.6	133	125	136	132	131	135	127	112	112	112	116	115	118	120	133	132	126	114
		3	-6	8	-3	-1	3	-6	-12	0	0	3	-1	3	1	1	-1	-4	-10

¹ HWWI index, total ² iron ore, steel scrap ³ steam coal

2010=100, percentage change on previous period																					
in US\$ terms																					
	13/1	13/2	13/3	13/4	14/1	14/2	14/3	14/4	15/1	15/2	15/3	15/4	16/1	16/2	2012	2013	2014	2015			
Coking coal	87	90	76	80	75	63	63	62	63	66	68	73	76	79	110	83	66	67			
	-3	4	-16	5	-6	-16	0	-1	1	4	4	8	4	3	-28	-24	-21	3			
Natural gas	142	149	138	138	136	123	112	114	111	108	106	108	111	113	137	142	121	108			
	1	5	-7	0	-1	-10	-9	2	-3	-2	-2	2	2	2	8	4	-15	-11			
Steel reinforcing rounds	119	116	114	113	114	112	112	114	115	116	116	116	116	116	123	116	113	116			
	2	-3	-2	0	1	-2	0	1	1	1	0	1	0	0	10	-6	-2	2			
in euro terms																					
Coking coal	86	91	76	77	72	60	63	66	66	69	72	77	80	83	112	83	65	71			
	-5	5	-17	2	-7	-16	3	5	1	4	4	8	4	3	-21	-27	-21	9			
Natural gas	142	151	138	134	132	119	112	121	117	115	112	115	117	120	141	142	121	115			
	-1	6	-9	-3	-2	-10	-6	8	-3	-2	-2	2	2	2	17	0	-15	-5			
Steel reinforcing rounds	119	118	114	110	110	108	112	120	121	122	122	123	123	123	127	115	113	122			
	0	-1	-3	-3	0	-2	3	8	1	1	0	1	0	0	19	-9	-2	8			

per cent share in:	total	excl. energy		total	excl. energy
HWWI index, total	100		Industrial raw materials	15.4	73.8
Total excl. energy	20.8	100	Agricultural raw materials	4.3	20.6
			- Cotton	0.1	0.6
Food total	5.5	26.2	- Wool	0.1	0.4
			- Hides	0.1	0.7
Cereals	1.4	6.9	- Natural rubber	0.8	3.9
- Barley	0.0	0.2	- Wood	1.8	8.9
- Maize	0.7	3.4	- Woodpulp	1.3	6.1
- Wheat	0.5	2.3			
- Rice	0.2	0.9	Non-ferrous metals	7.9	37.9
			- Aluminium	3.7	17.6
Oilseeds, vegetable oils	1.9	9.1	- Copper	2.5	12.2
- Soybeans	0.7	3.5	- Lead	0.2	0.8
- Soybean meal	0.8	3.7	- Nickel	0.9	4.4
- Soybean oil	0.1	0.2	- Tin	0.2	0.9
- Coconut oil	0.1	0.4	- Zinc	0.4	2.0
- Palm oil	0.2	0.8			
- Sunflower oil	0.1	0.5	Iron ore, steel scrap	3.2	15.3
			- Iron ore	2.2	10.8
Tropical beverages, sugar	2.1	10.3	- Steel scrap	0.9	4.5
- Coffee	1.2	5.6			
- Cocoa	0.5	2.2	Energy raw materials	79.2	
- Tea	0.2	0.7	- Coal	4.5	
- Sugar	0.4	1.8	- Crude oil	74.6	

¹ Based on world imports of OECD countries minus Intra-EU trade, 2005-2007

Table A7 Price quotations included in the HWWI Commodity Price Index			
	Variety	Market/ origin	Currency / units of quotation
Barley	Canadian No. 1 Western, nearest month	Winnipeg	CAD/t
Maize	US No. 2 yellow , nearest month	Chicago	US¢ / 56lb bushel
Rice	White Thai Long Grain, 100% B Grade, fob	Bangkok	US\$/t
Wheat	US hard red winter, nearest month	Kansas City	US¢ / 60lb bushel
Soybeans	US No. 2 yellow, in bulk, nearest month	Chicago	US¢ / 60lb bushel
Soybean meal	48 percent protein, fob railroad cars at shipping plants, nearest month	Chicago	US\$/sht
Soybean oil	Raw, ex warehouse, nearest month	Chicago	US¢/lb
Coconut oil	Philippines, bulk, cif Rotterdam	Rotterdam	US\$/t
Palm oil	Malaysian, 5 % , cif England, nearest month	London	US\$/t
Sunflower seed oil	All origins, ex tank Rotterdam, nearest month	Rotterdam	US\$/t
Coffee	ICO composite average indicator price	NY,F,D	US¢/lb
Cocoa	ICCO price, average daily	London/NY	US\$/t
Tea	Average price of Calcutta, Colombo and Kenia auctions		US¢/kg
Sugar	Raw, CSCE, contract No 11, nearest month	New York	US¢/lb
Cotton	Middling upland, 1 1/16 inches, contract No 2, nearest month	New York	US¢/lb
Hides	US, heavy domestic steers, ex warehouse	Chicago	US\$/pc
Wood	Sawnwood, Swedish pine, 63 x 175 mm, cif NW Europe	NW Europe	EUR/m³
Rubber	Natural rubber, RSS 1, nearest month	Kuala Lumpur	Malays .¢/kg
Aluminium	Primary High Grade, ex warehouse, cash	London	US\$/t
Lead	Standard, ex warehouse, cash	London	US\$/t
Copper	Grade A, ex warehouse, cash	London	US\$/t
Nickel	Primary High Grade, ex warehouse, cash	London	US\$/t
Zinc	Special High Grade, ex warehouse, cash	London	US\$/t
Tin	Ex warehouse, cash	London	US\$/t
Iron ore	Brazilian, Carajás fines, contract price to Europe, fob	P da Madeira	US¢/dmtu
Steel scrap 1	No. 1 Steel (HMS1)	NE USA	US\$/long ton
Steel scrap 2	No. 1 Steel	Europe	EUR/t
Coal 1	Australian steam coal, average spot price, fob	Newcastle	US\$/t
Coal 2	South African steam coal, average spot price, fob	Richards Bay	US\$/t
Crude oil 1	Dubai, 32% API, spot price, fob	London	US\$/barrel
Crude oil 2	Brent, 38% API, spot price, fob	London	US\$/barrel
Crude oil 3	West Texas Intermediate, 40% API, spot price, fob	USA	US\$/barrel