

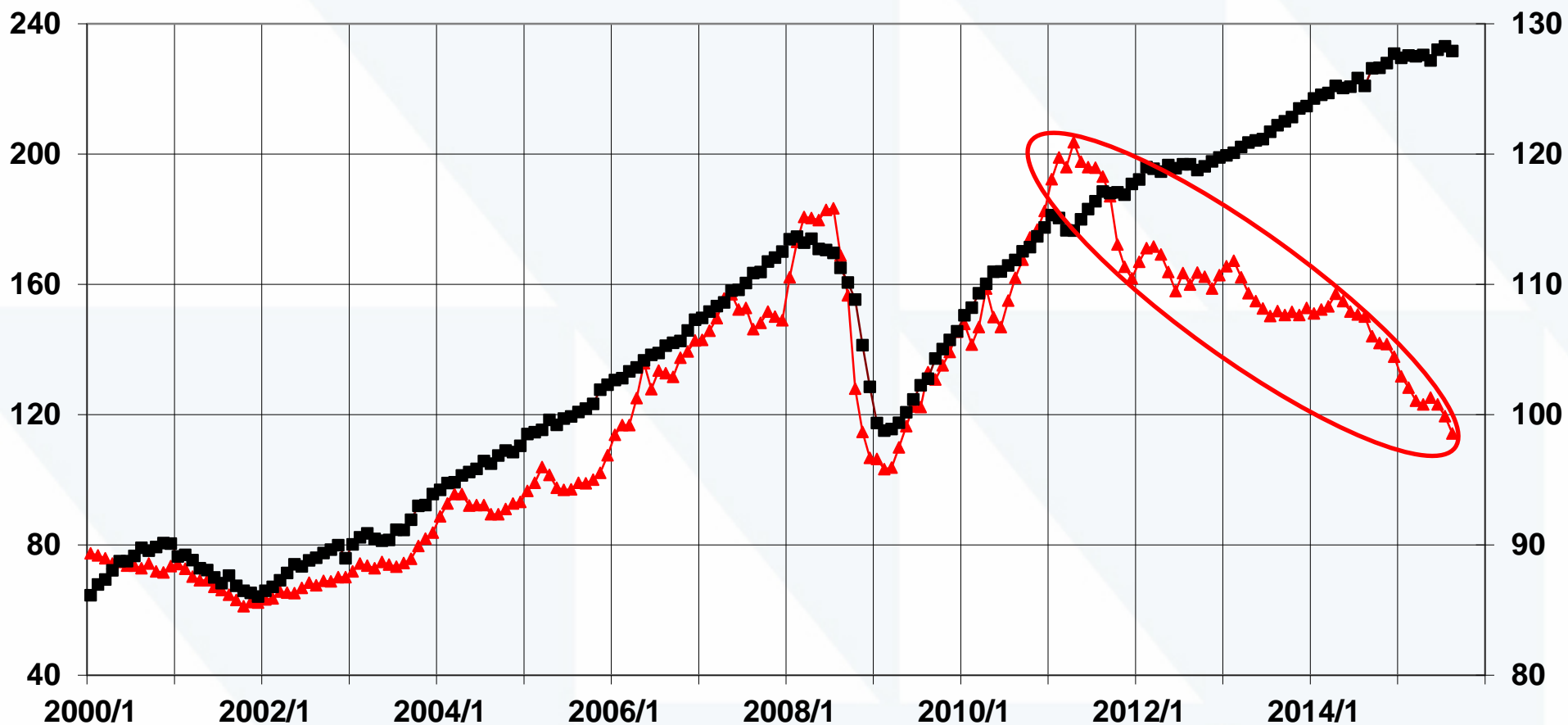
World Commodity Prices to mid-2017

AIECE General Meeting
Brussels, November 5, 2015
Paavo Suni, ETLA

Recent Developments

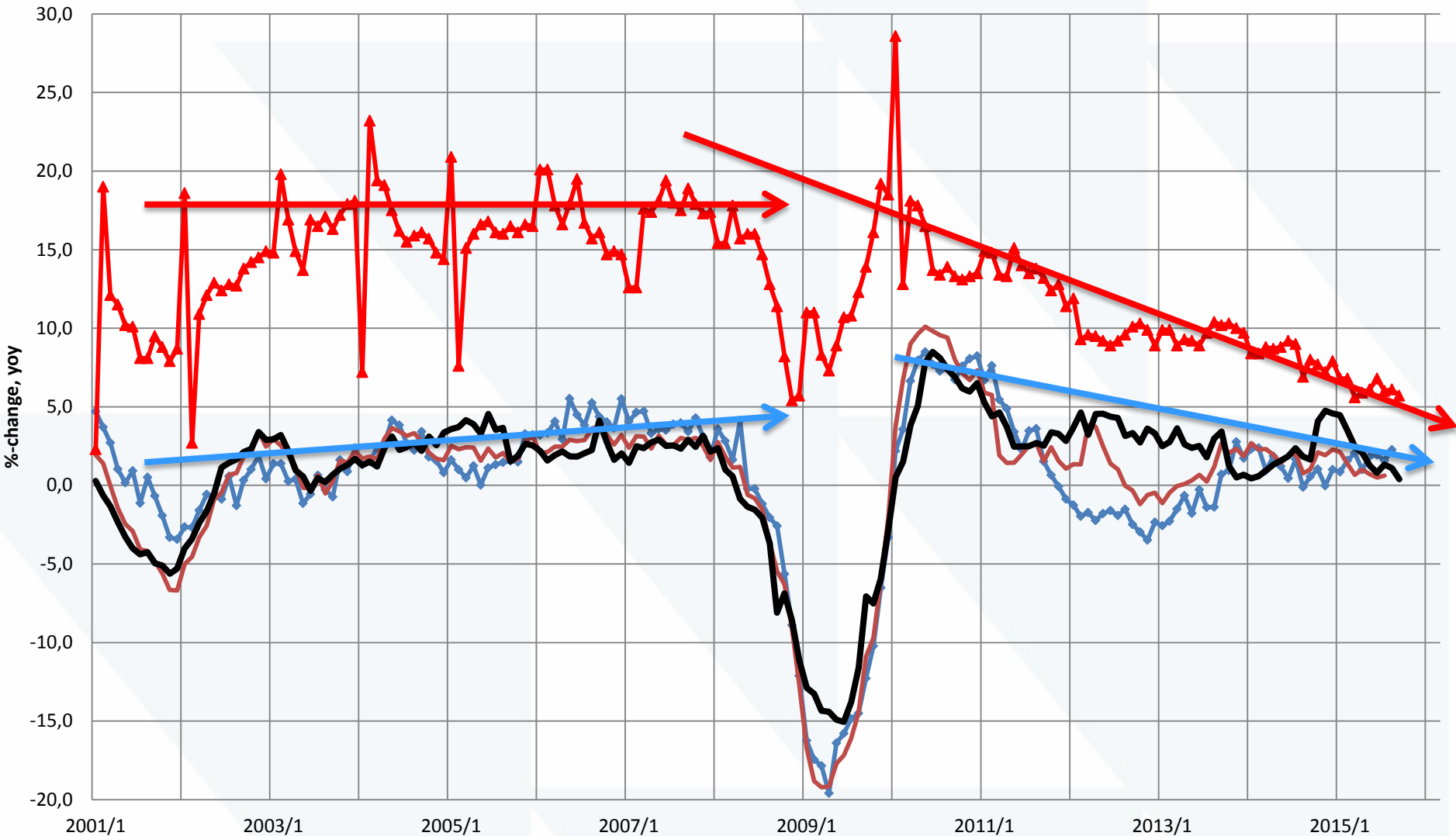
World Industrial Production and Non-Energy Raw Material Prices

▲ HWWI non-energy raw material prices, scale to the left ■ Industrial production

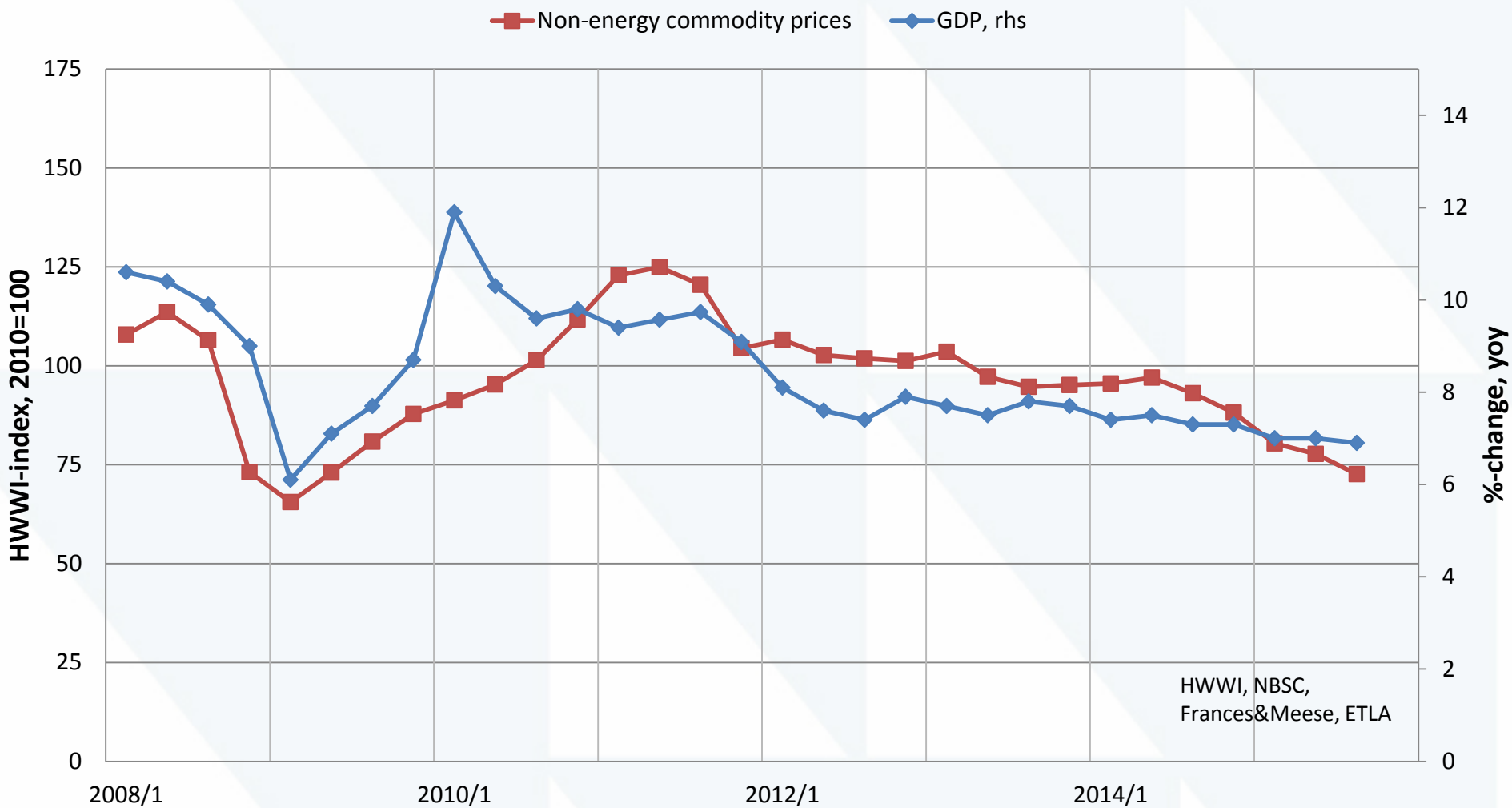


Industrial Production in the US, EU27, G7 and China

EU28 G7 China USA

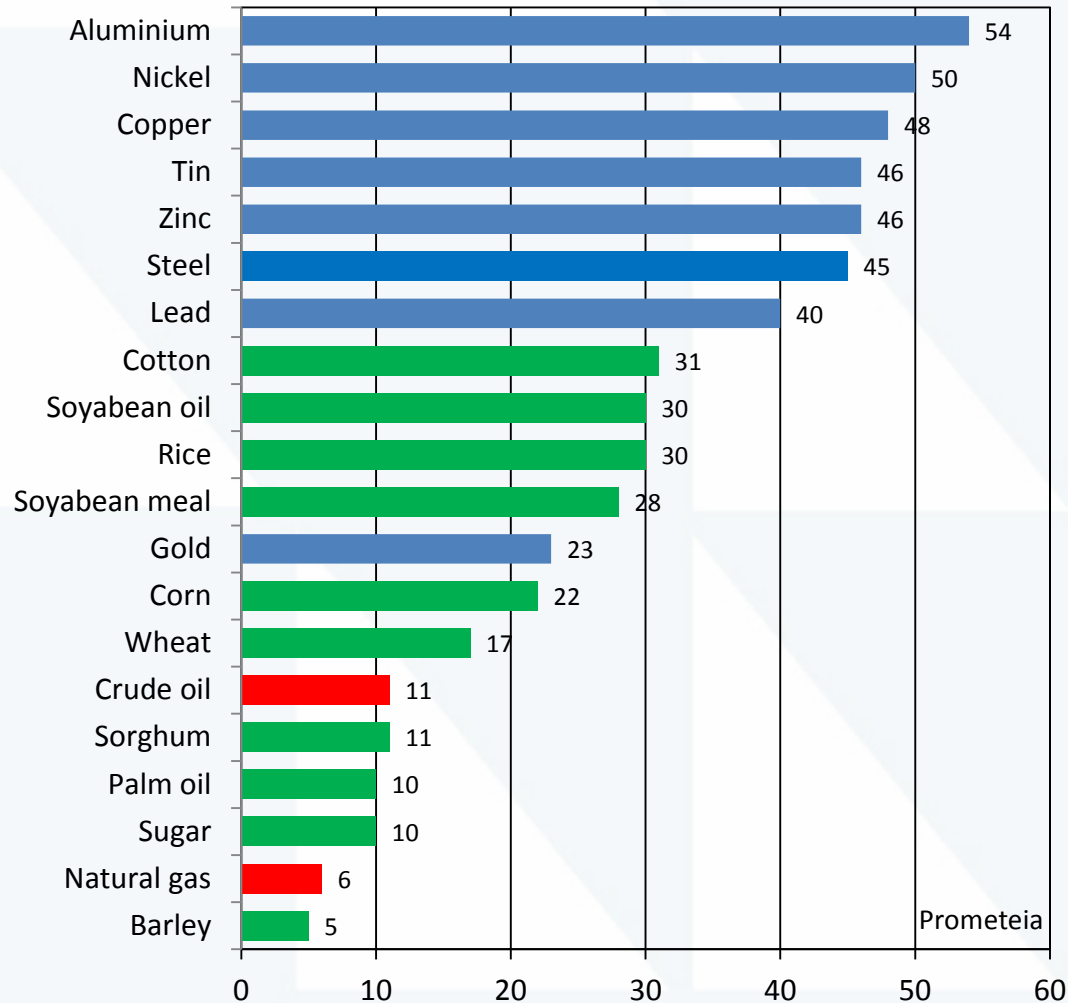


Non-energy Commodity Prices and the Change in Chinese GDP



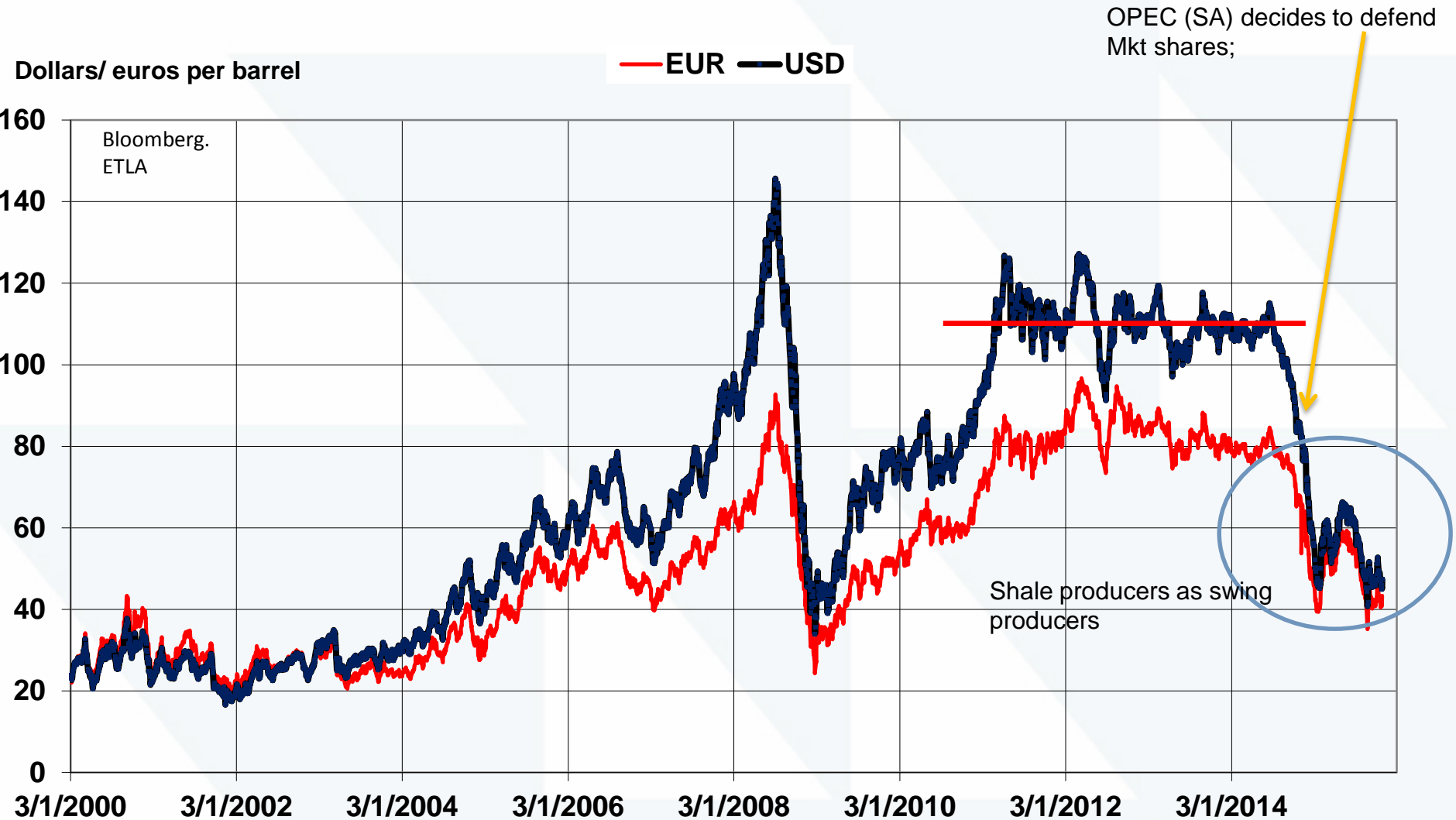
HWWI, NBSC,
Frances&Meese, ETLA

Share of World Commodity Consumption, %



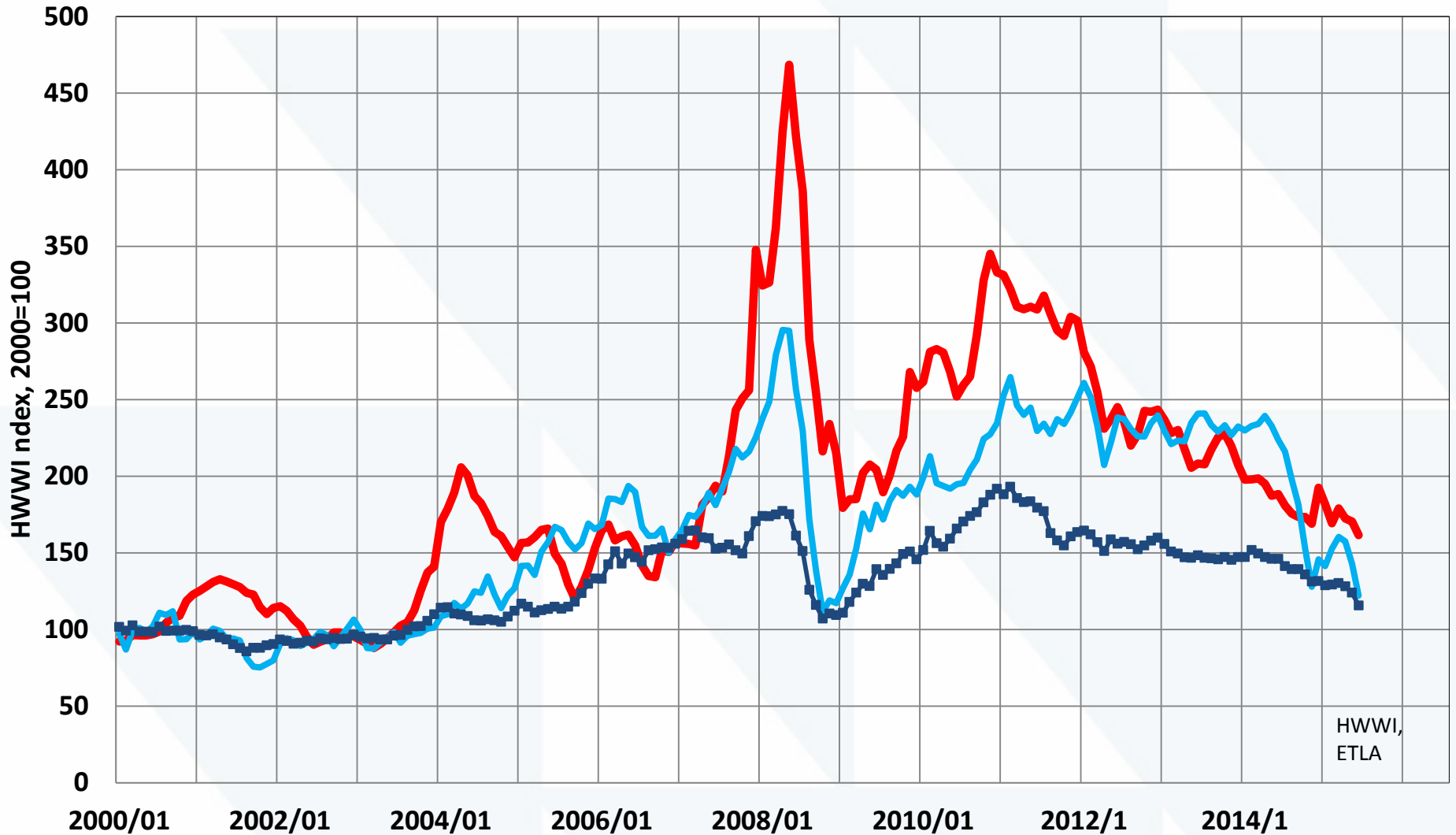
Prometeia

Daily Crude Oil Prices, Brent, spot



Real Prices of World Raw Materials

— Energy — Total — Total excl. energy



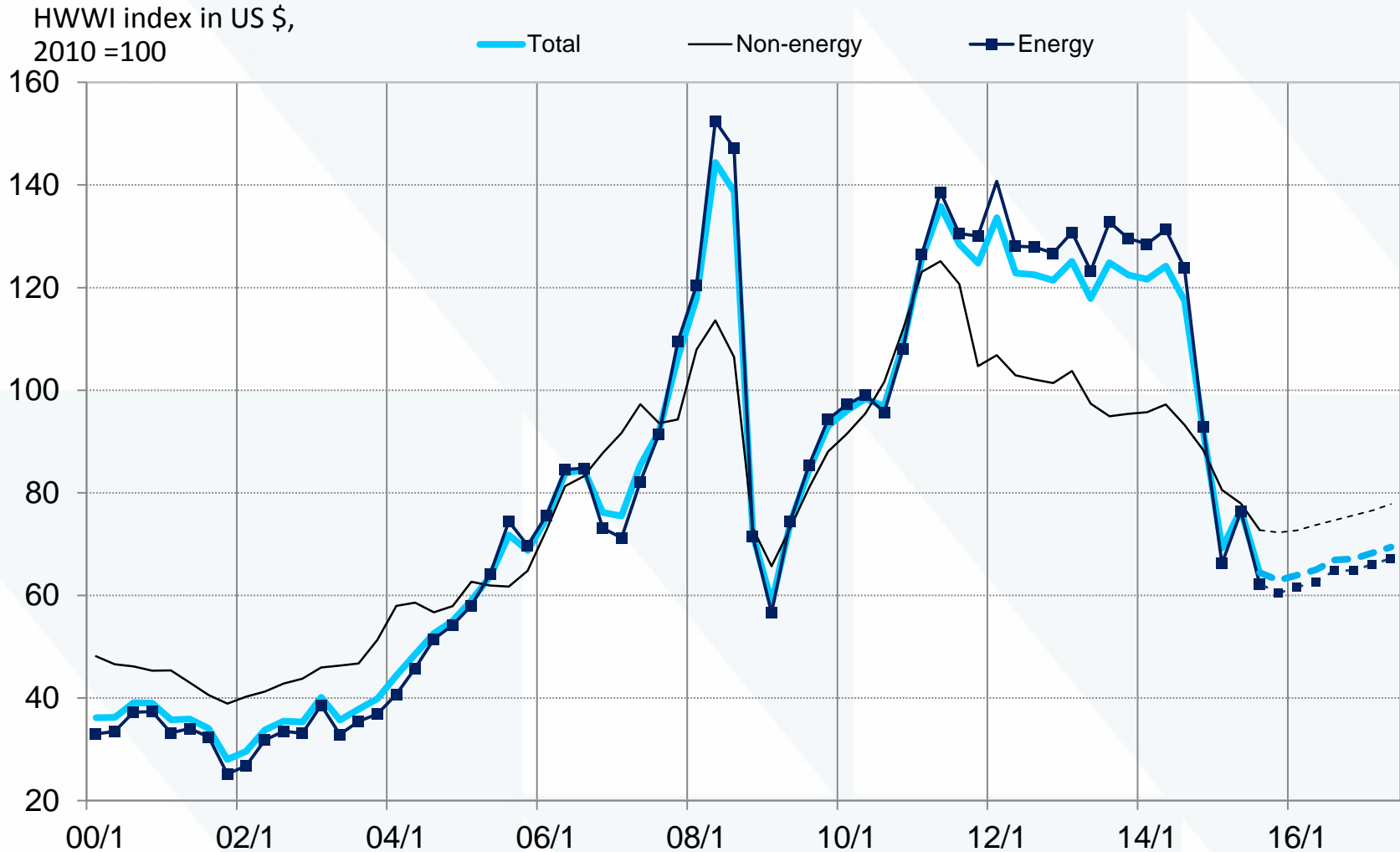
HWWI,
ETLA

Table 1. Spring 2015 forecasts and realisations

	USD terms				EUR terms			
	2015 Q2		2015 Q3		2015 Q2		2015 Q3	
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual
	Quarterly percentage changes							
All commodities*	12	11	5	-16	16	13	5	-16
Total excl. energy	-1	-3	1	-7	2	-1	1	-7
Food total	-4	-5	0	-1	-1	-3	0	-1
Cereals	-4	-5	0	0	-1	-3	0	-1
Tropical beverages, sugar	-4	-5	1	-2	-1	-4	1	-3
Oilseeds, vegetable oils	-4	-5	-1	1	-1	-3	-1	0
Industrial raw materials	0	-3	1	-9	3	-1	1	-10
Agricultural raw materials	-1	-3	0	-4	2	-1	0	-5
Non-ferrous metals	6	0	2	-12	10	1	2	-13
Ferrous raw materials	-17	-9	-2	-8	-14	-7	-2	-9
Energy raw materials	17	15	6	-19	20	18	6	-19
USD/EUR	1.09	1.11	1.09	1.11				
* HWWI index, total								

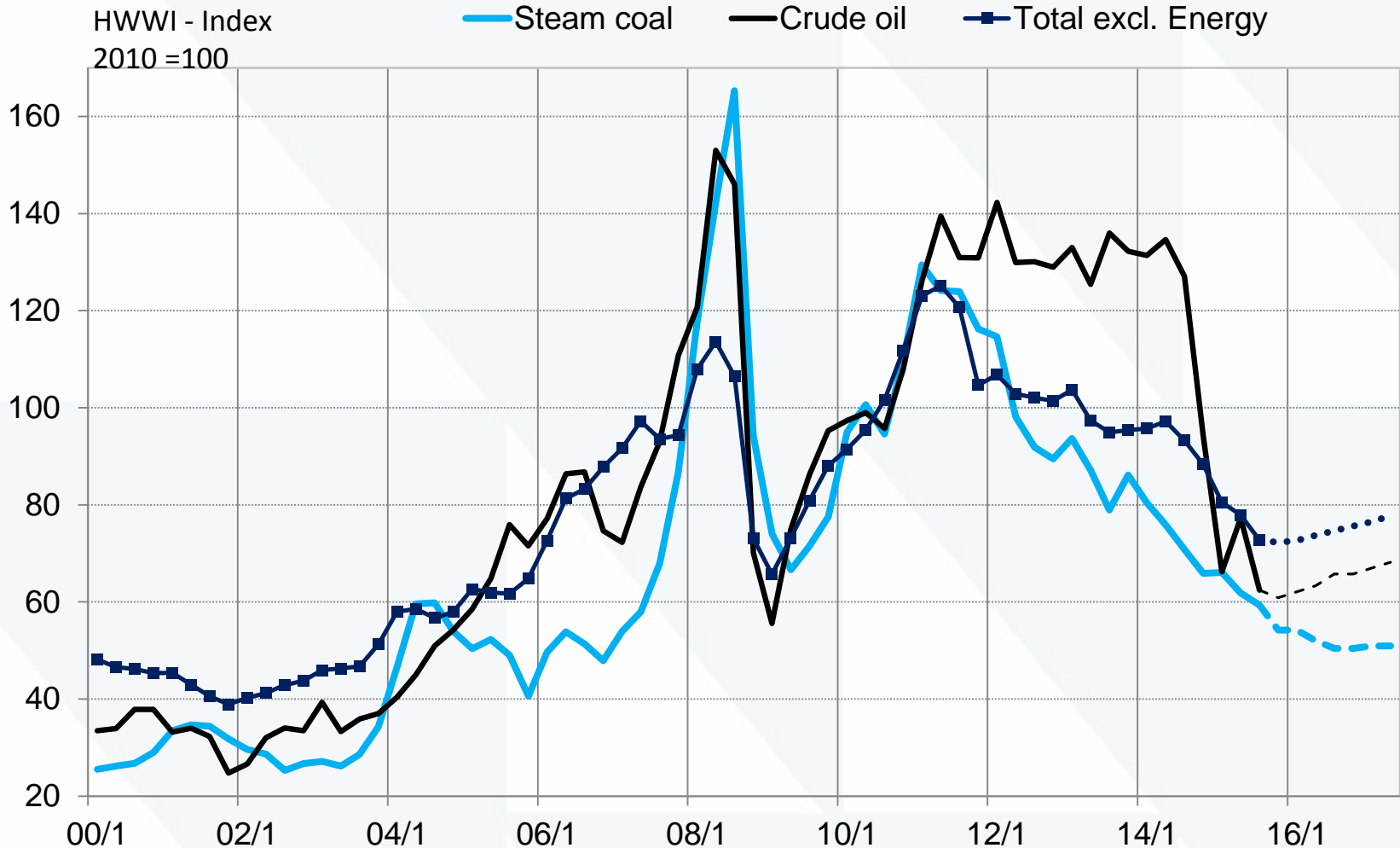
Price Forecasts

World Commodity Prices in 2000-2017



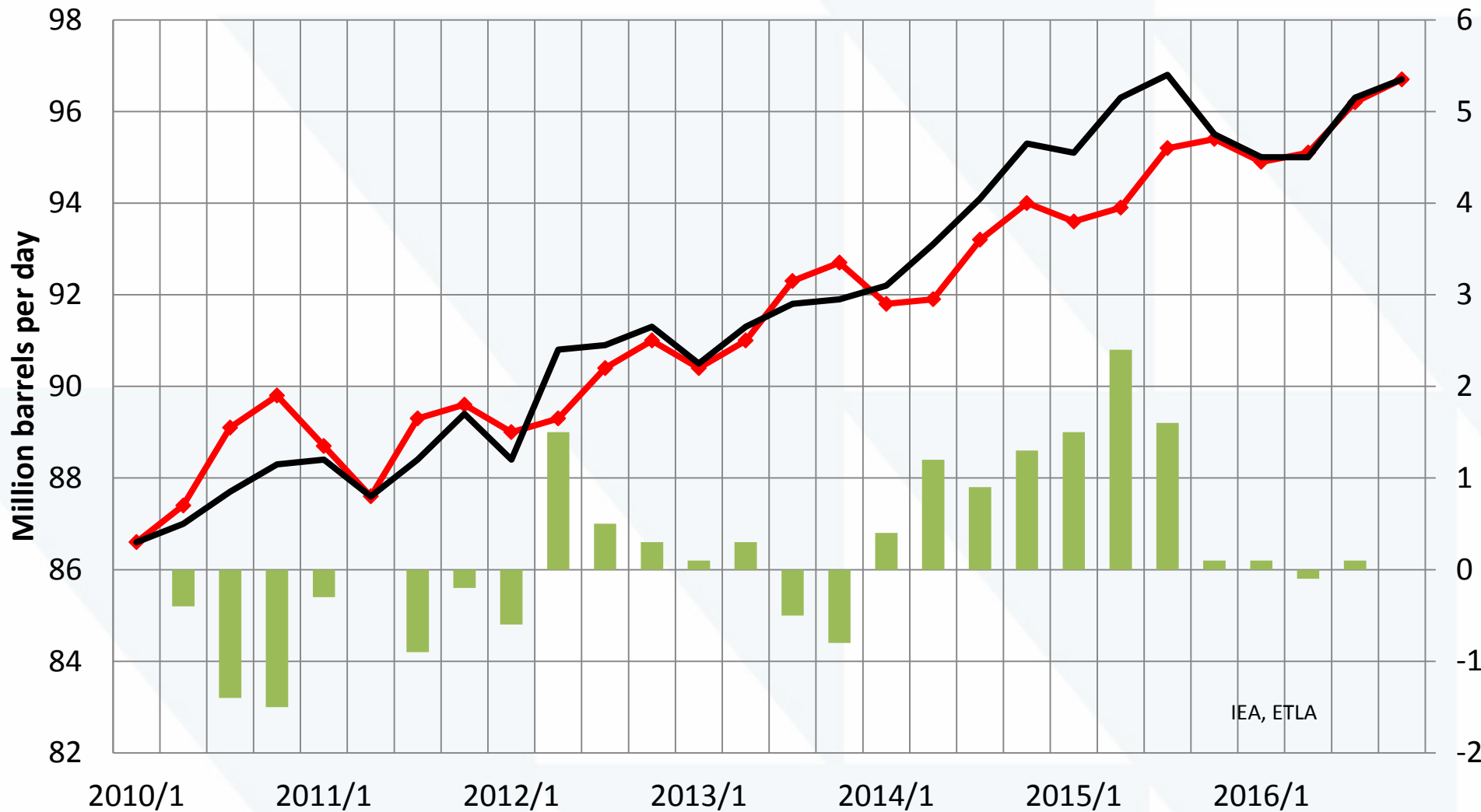
Energy, Metals and Minerals

Oil and coal prices: different profiles



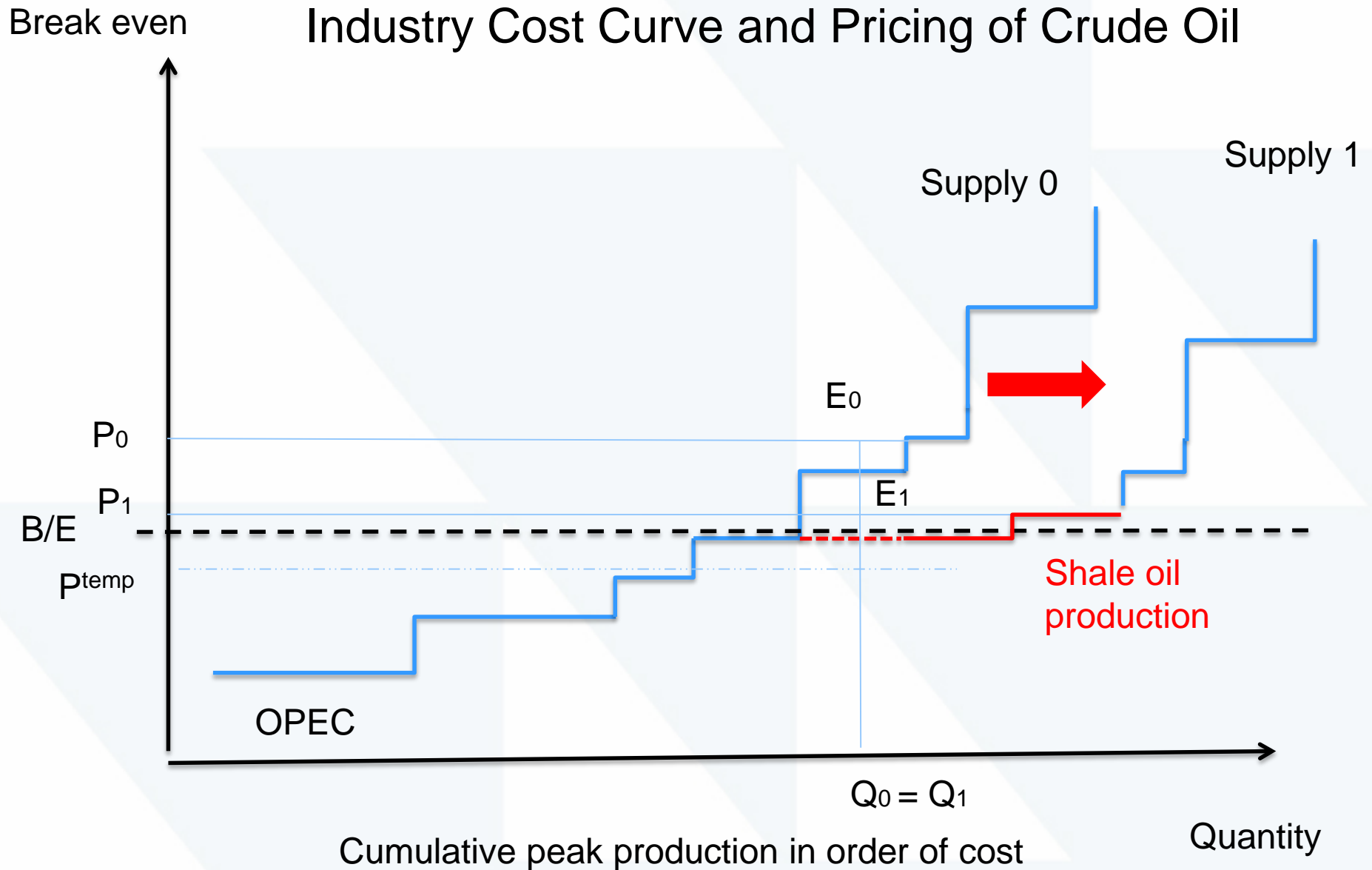
World Oil Balance

■ Surplus, scale to the right ◆ Demand — Supply



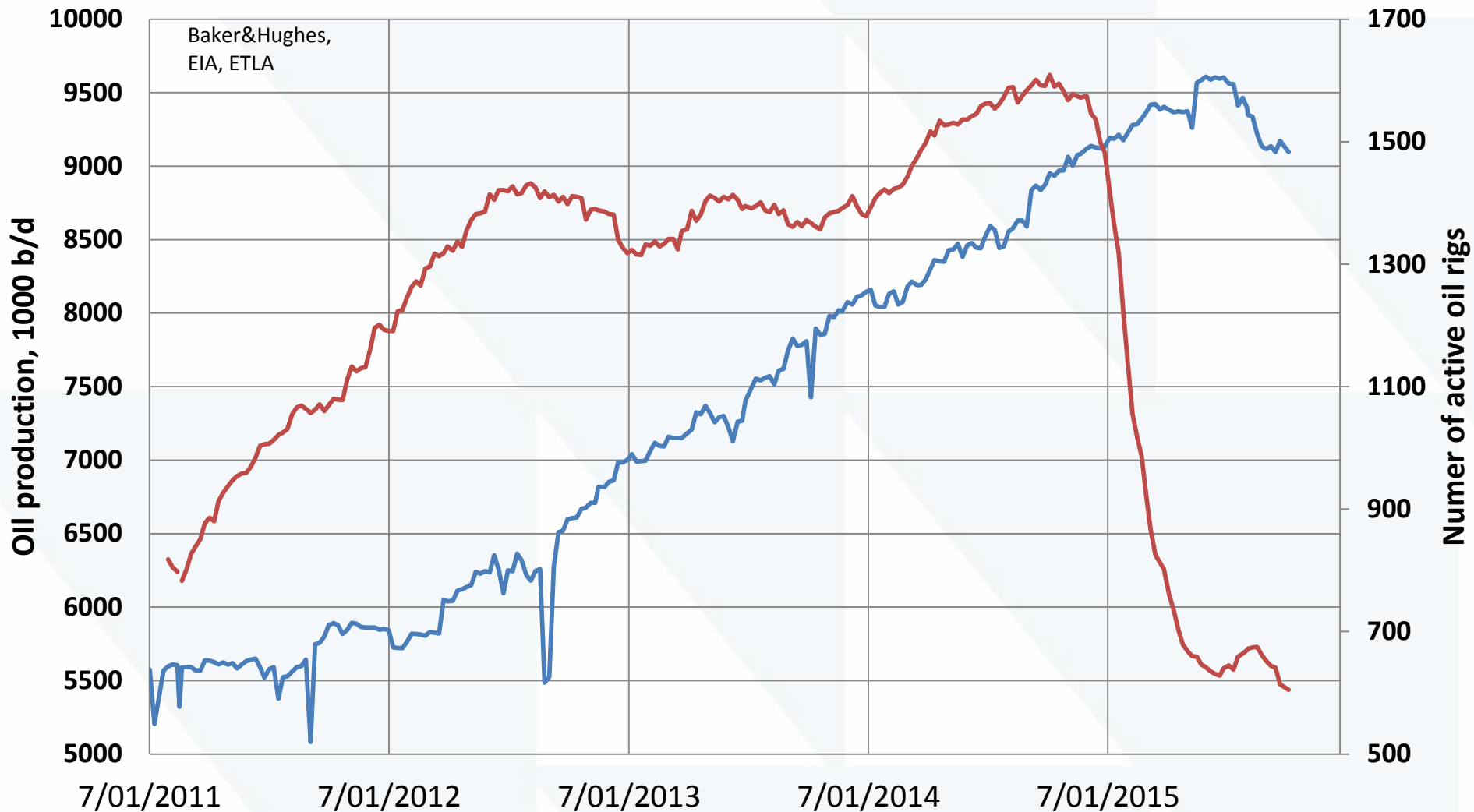
IEA, ETLA

Industry Cost Curve and Pricing of Crude Oil

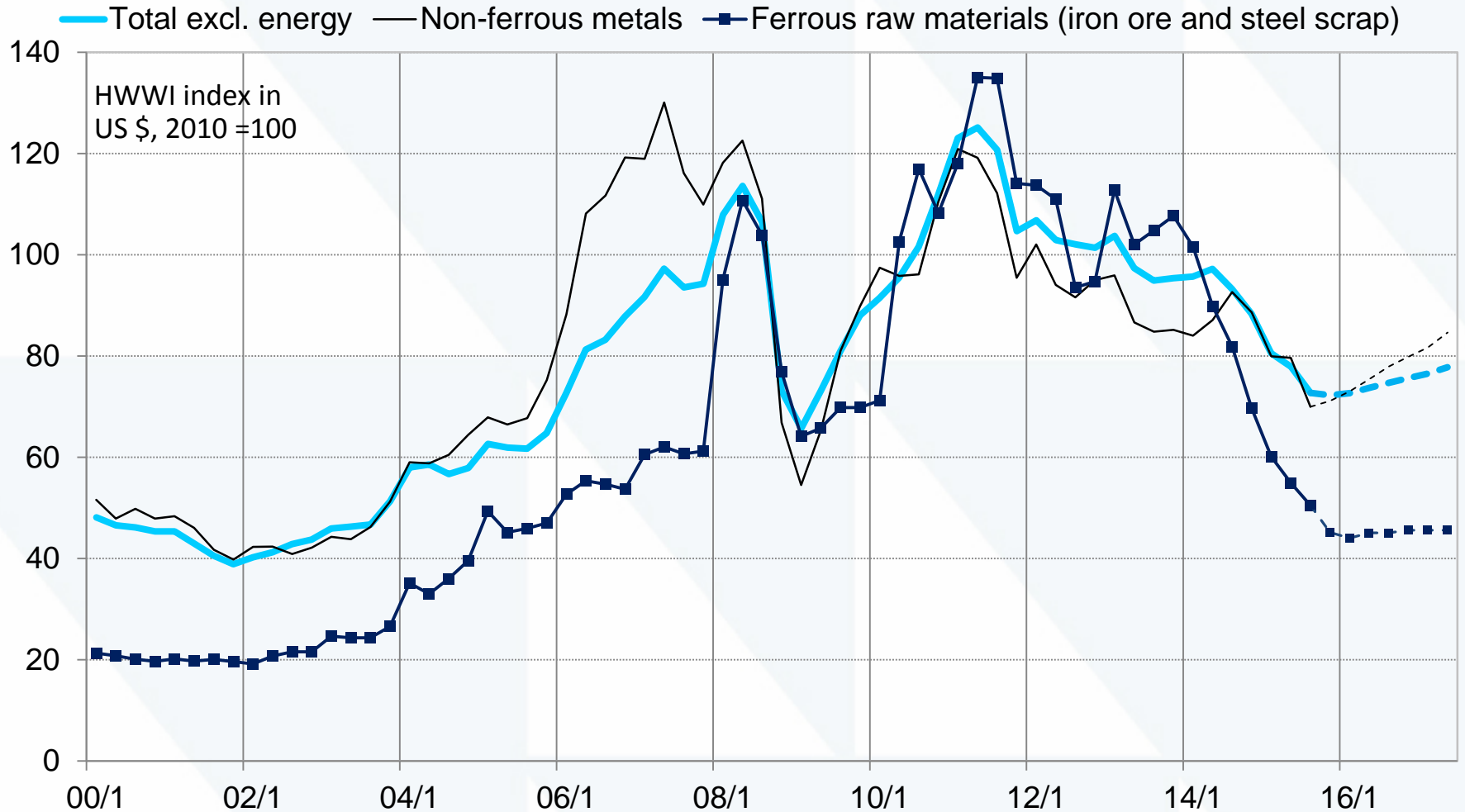


The US Rig Count and Crude Oil Production

— Crude oil production — Number of rigs

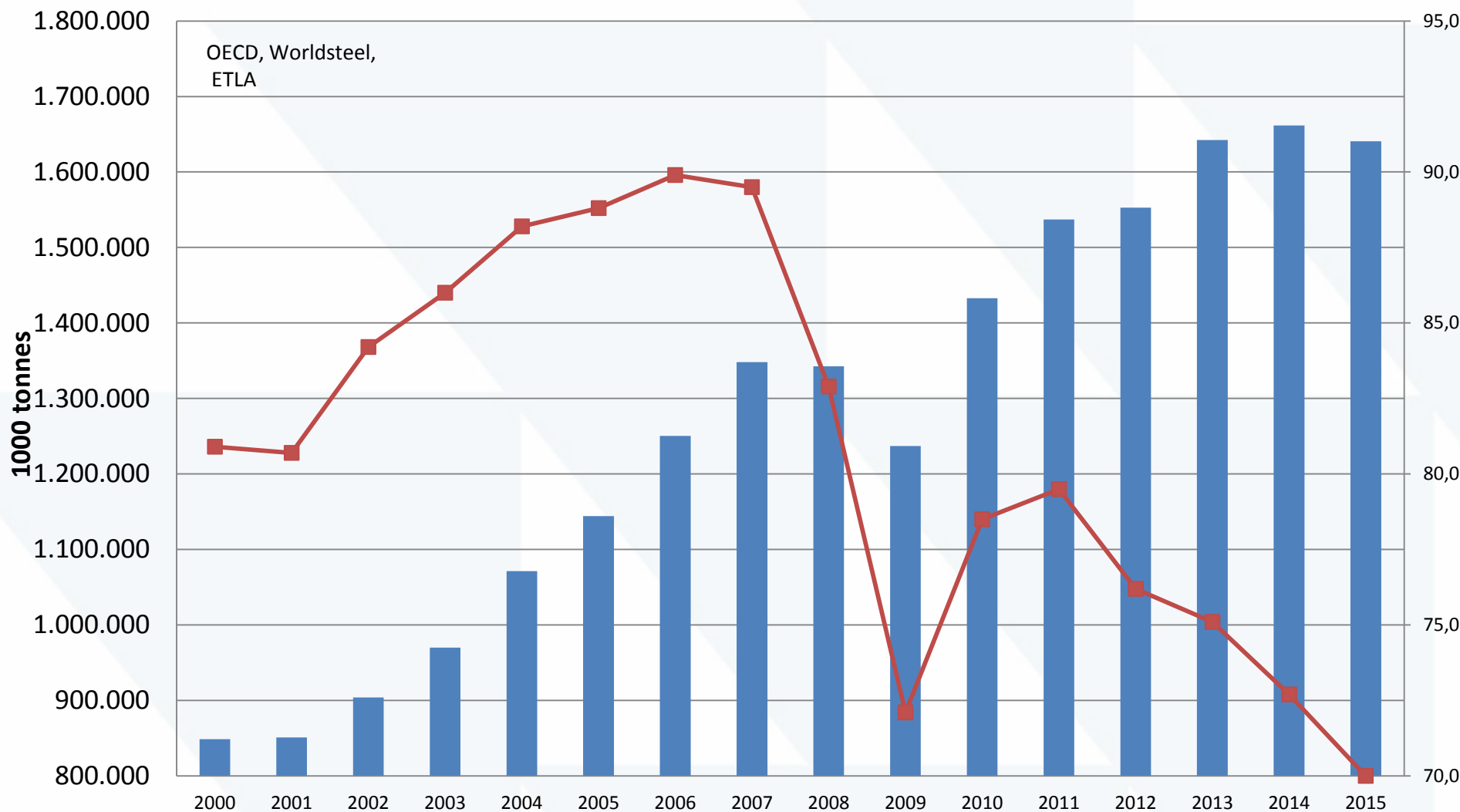


Prices of Metals and Minerals



World Steel Production

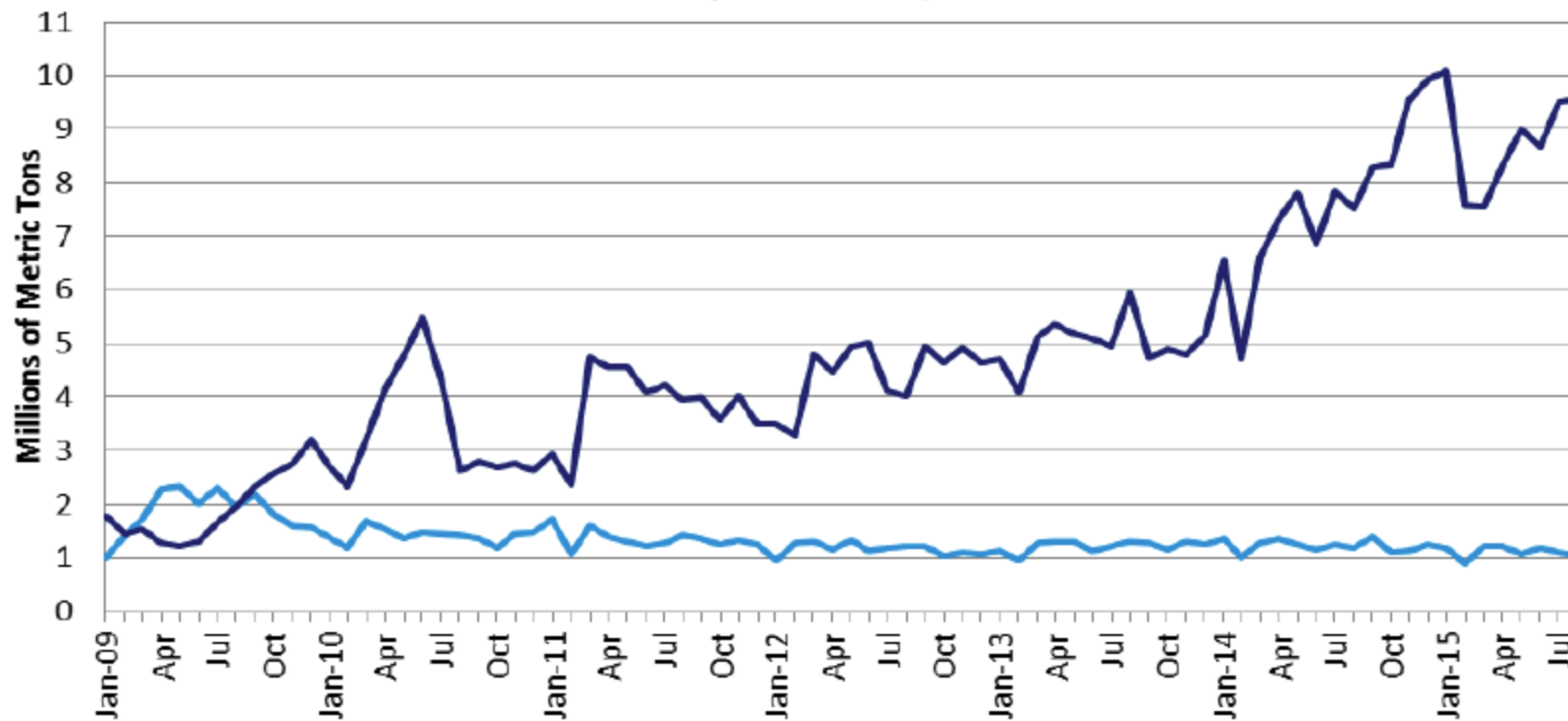
Production Capacity utilization, %



China's Imports/Exports of Steel Mill Products

Jan 09 - Aug 15

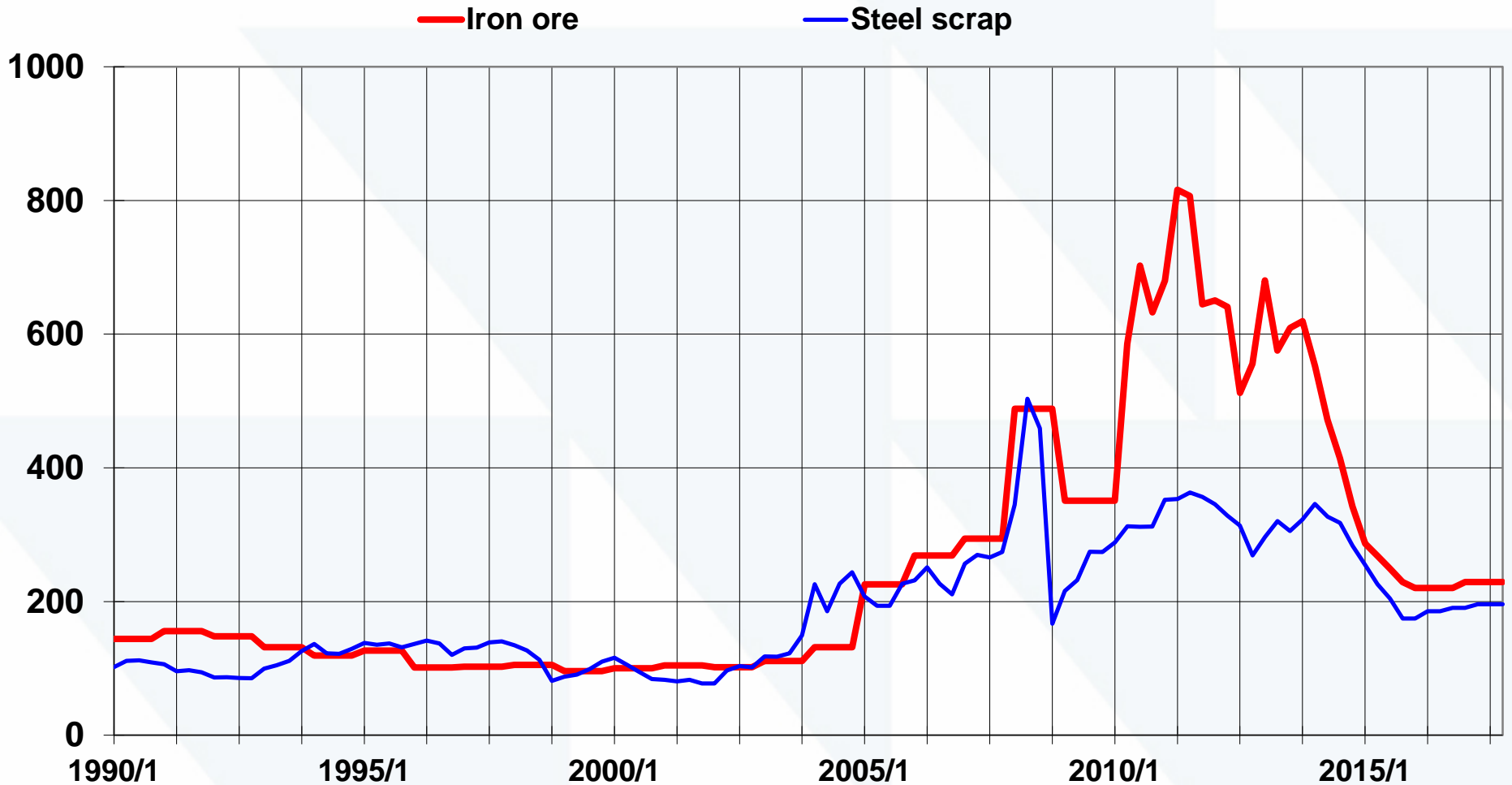
— Imports — Exports



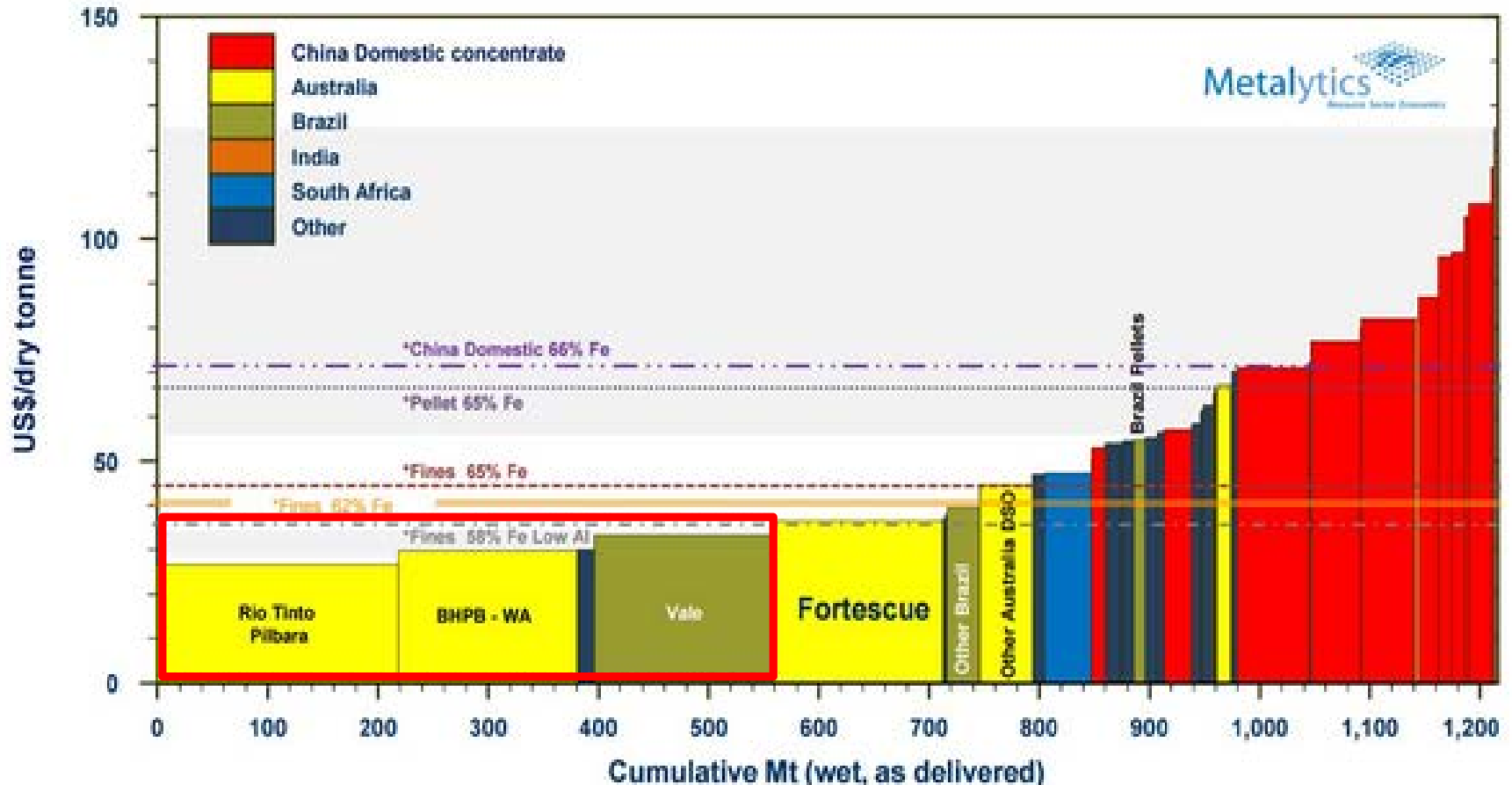
Source: U.S. Department of Commerce and China Customs, accessed through Global Trade Atlas

Figure 6 – China's Imports/Exports of Steel Mill Products

Steel Scrap and Iron Ore Prices, 2000 = 100



A Global Cost Curve of Iron Ore

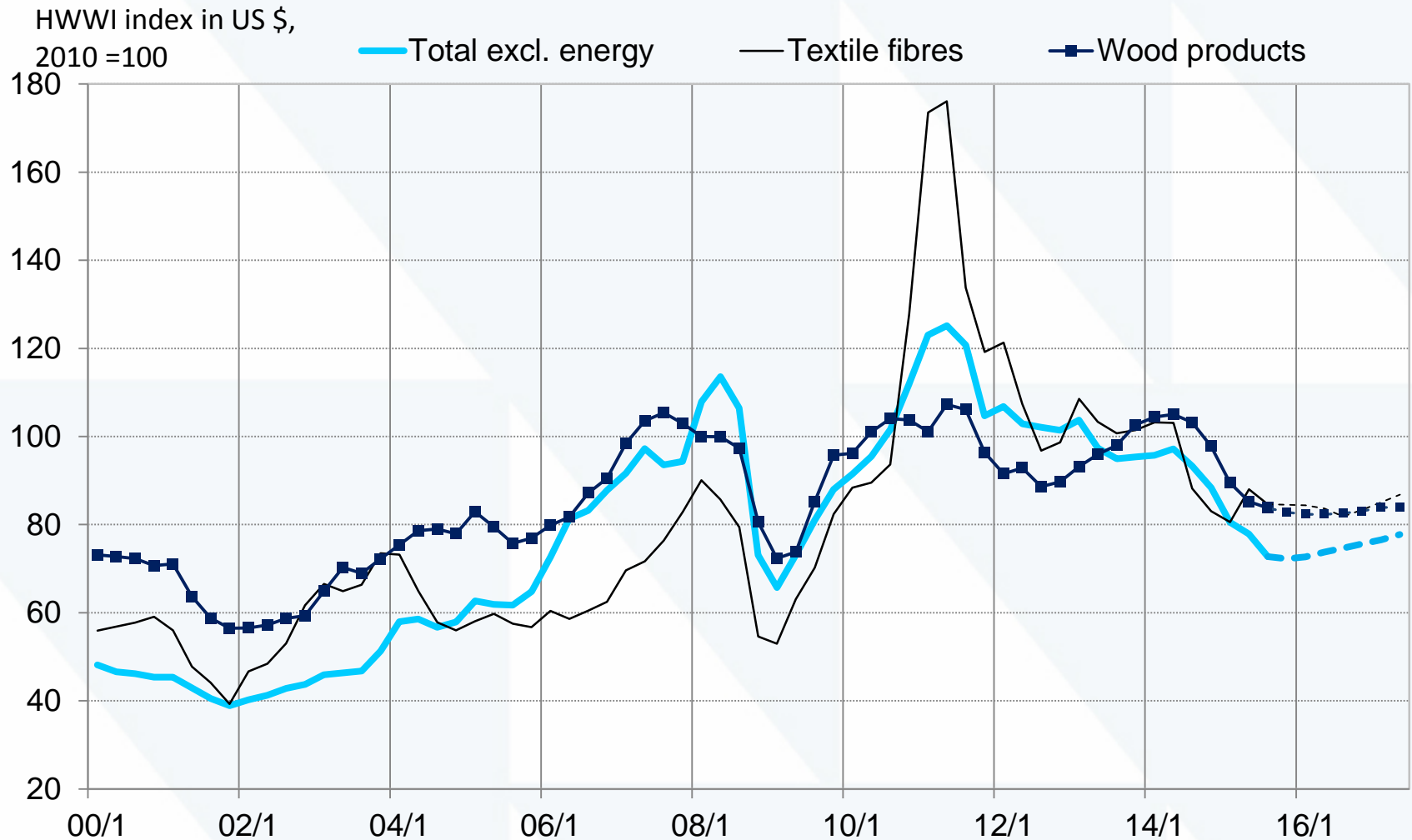


Source: FMG G100 Conference Presentation

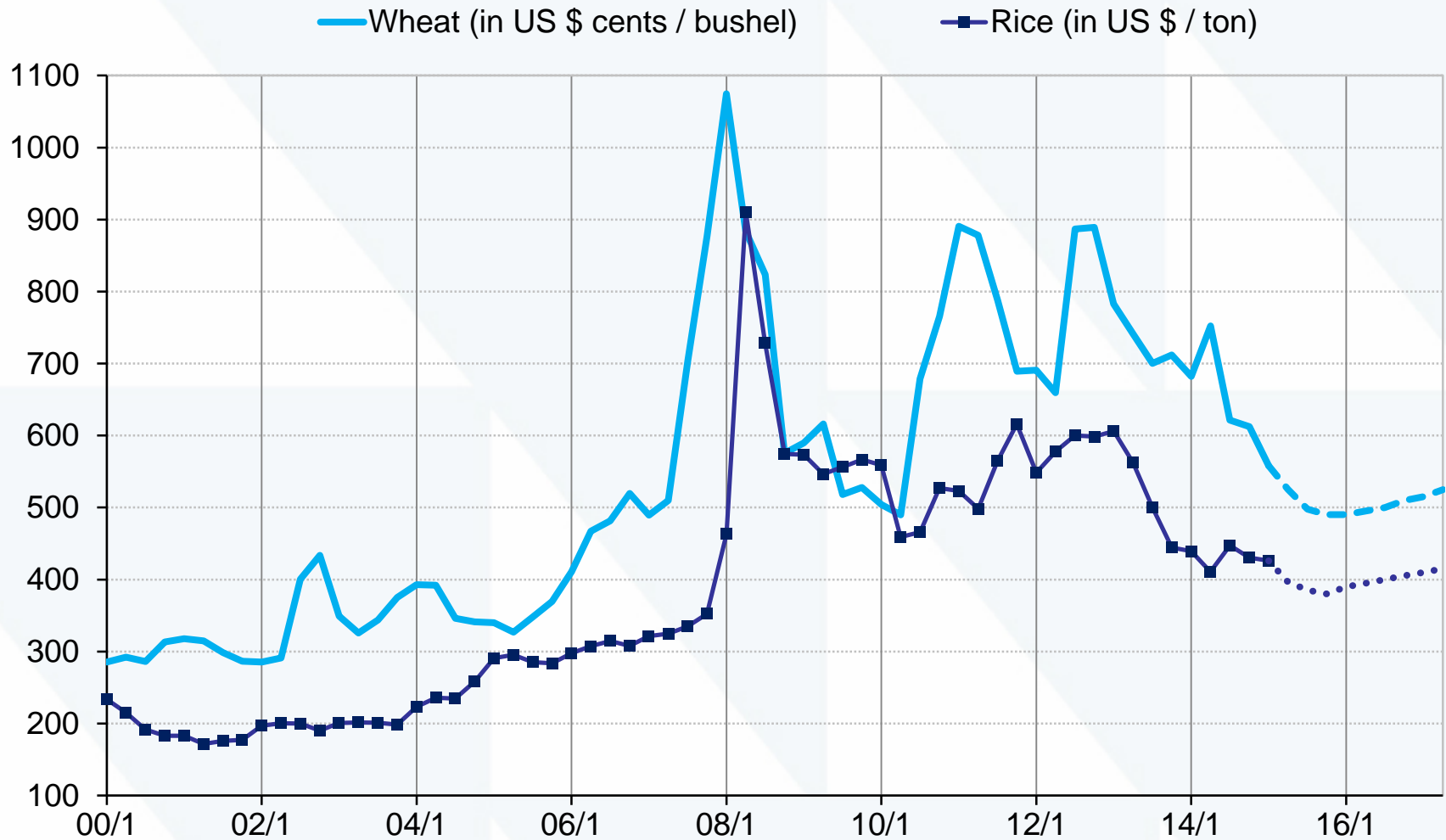
<https://www.fool.com.au/2015/07/17/the-mining-investors-handbook-part-3-iron-ore/>

Soft Commodities

Prices of Agricultural Commodities



Food Prices: Wheat and Rice



Beverages' Prices: Coffee and Cocoa



Conclusions:

- ❑ World commodity prices at all-time-high in 2011
 - China's rise, inadequate supply response
- ❑ Trend-wise decline after the peak until Oct. 15
 - Except oil, which fluctuated in 110 USD/bbl until June 14
 - Slowing growth of China, lagged supply rises
- ❑ Commodity prices to slow rise during the winter
- ❑ Strong inflation impacts (mainly from energy)
 - Strong negative contribution in moderation, turning into moderate rise after Q2 in 2016
- ❑ Risks: Growth in China, US MoPo, El Niño