



# Roller Coaster

The latest sharp rise and fall in commodity prices is not the first nor the last

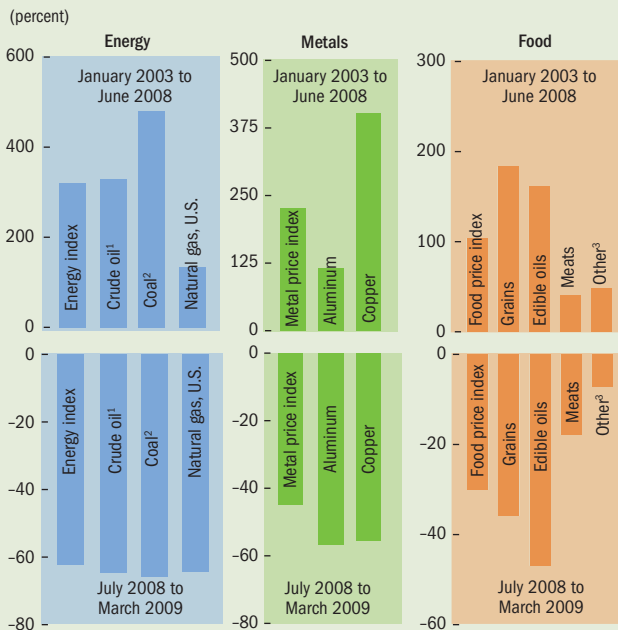
COMMODITY prices collapsed in the second half of 2008 after a spectacular runup from early 2002 until the middle of last year.

Although commodity markets are often treated as if they were integrated, individual commodities vary widely in their demand and supply characteristics. A key question therefore is whether or not commodity price index changes are dominated by fluctuations in the prices of a few commodities.

Indeed, the most recent price boom was first and foremost an energy and metals price boom. Prices of these commodities tripled between mid-2002 and mid-2008. For metals, whose demand rises and falls with the global industrial cycle, the roughly 200 percent increase in prices during the strong global expansion was broadly in line with previous experience.

Nevertheless, major price gains were also recorded for other commodities. Prices of major grains and edible oils in particular almost tripled, reflecting a number of factors, including a pickup in demand growth because of changing diets and the rapid growth in biofuels, low inventories, adverse weather conditions, and rising energy costs (see “Riding a Wave,” *F&D*, March 2008).

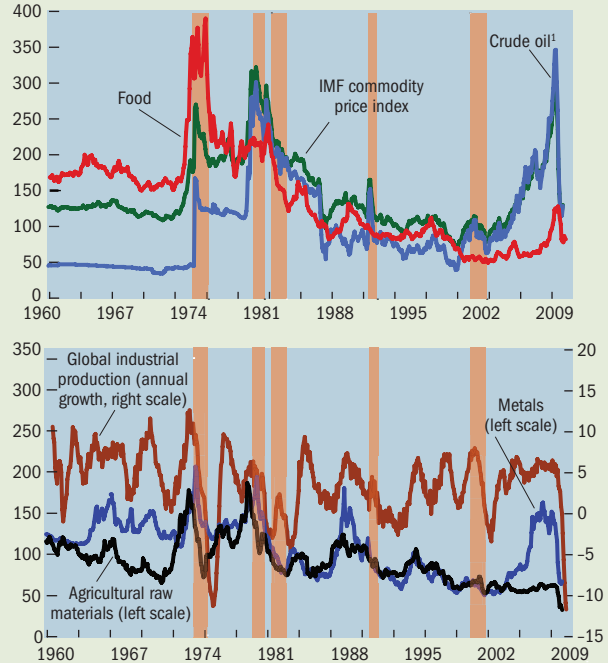
## Commodity price changes during the 2003–09 boom and bust.



Source: IMF, Commodity Price System database.  
<sup>1</sup>Average Petroleum Spot Price; average of Brent, West Texas Intermediate, and Dubai crude spot prices.  
<sup>2</sup>Includes South African and Australian coal prices.  
<sup>3</sup>Average change in fish, shrimp, sugar, banana, and orange prices.

## Historically, commodity prices have been volatile and subject to large swings.

(real commodity prices, constant U.S. dollars, 1990=100)



Sources: IMF, Commodity Price System database; and IMF staff calculations.  
 Note: Shading denotes periods of global recession (identified on the basis of a monthly index of global industrial production).  
<sup>1</sup>Average Petroleum Spot Price; average of Brent, West Texas Intermediate, and Dubai crude spot prices.

In the second half of 2008, prices of most commodities fell with unprecedented speed. Energy prices declined by about 70 percent, while metals prices eased by more than 50 percent. Even food prices, which tend to fluctuate less with global cyclical conditions, decreased by about 30 percent. In 2009, prices have recovered, but remain well below their 2008 peaks.

## The IMF's commodity price database

The IMF has long prepared price indices for primary commodities using weights based on 2002–04 world trade data. The indices cover a set of 51 commodities—with some prices going as far back as 1980—that are widely traded and for which transaction prices are publicly available. The database also includes price indices for major subgroups and the underlying raw price data. The database is available at [www.imf.org/external/np/res/commmod/index.asp](http://www.imf.org/external/np/res/commmod/index.asp)

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