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de conjoncture économique**

Working group on commodity prices and foreign trade

World Trade and Commodity Prices in 2012-2013

A report submitted to the AIECE Spring General Meeting

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Contents

Summary	3
1 General overview and assumptions	5
1.1 Recent developments in the world economy	5
1.2 Recent trends in world trade	6
1.3 Main assumptions and forecasts risks	8
Box 1. The Impact of Higher Oil Prices on Global Growth	10
2 The world trade outlook	11
2.1. Imports and domestic demand	11
2.2. Exports and price competitiveness	14
2.3. Market shares developments	16
2.4 Trade balances	20
3 Commodity price outlook to 2013	22
3.1 Recent price developments	22
3.2 Aggregate price development	24
3.3 Energy raw materials	29
3.3.1 Crude Oil	29
Box.2. Iran and the oil market	33
3.3.2 Steam and Coking Coal	35
3.3.3 Natural gas	37
3.4 Metals and minerals	40
3.4.1 Non-Ferrous metals	40
3.4.2 Steel and ferrous steel raw materials	46
3.5 Agricultural raw materials	50
3.6 Food and tropical beverages	63
3.6.1 Beverages and sugar	69
3.6.2 Cocoa	70
Appendix tables	75
Trade Forecasts	75
Commodity price indices	82

Summary

During the fourth quarter of 2011, the global economic outlook worsened and risks escalated sharply as the euro area crisis escalated and triggered turmoil in financial markets around the globe. While growth in the US held some positive surprises, output in Europe and in Japan declined and activity in some of the largest and most dynamic developing countries growth slowed more than expected. According to the most recent data and surveys, however, the situation seems to have stabilised. In the first months of 2012 world output growth has stopped deteriorating and world trade has picked up. Nevertheless, we still expect a moderation of global growth in 2012, and only a small recovery next year. Especially growth in high-income countries is expected to continue to be weak in historical perspective.

There is a high degree of uncertainty associated with the future economic development, which is also reflected in various sentiment indicators. Financial market volatility indices, confirm this assessment. This uncertainty may be one of the key burdens weighing on global economic activity as they are likely to affect financing conditions for banks and companies and lead to postponement of private consumption and investment decisions.

An intensification of the adverse feedback loops between sovereign and bank funding pressures in the euro area can be regarded as one of the most immediate risks to the global economy. This scenario would likely result in much larger and more protracted bank deleveraging and more sizable contractions in credit and output as have been observed so far. In addition, attempts to save domestic private banks would heavily strain the public finances of many European states, which could even jeopardise their solvency. The adverse effects of a possible acceleration of the debt crisis would not be limited to the euro area, but would rather spread via trade and the financial markets to other industrial and emerging economies. This forecast, however, is based on the assumption that the European debt crisis will not worsen.

Geopolitical concerns and associated oil supply risks are increasing again and add to the uncertainty. The oil market impact of intensified concerns about an Iran-related oil supply shock (or an actual disruption) has already been significant. The effects of a possible military conflict would be very large, given limited inventory and spare capacity buffers, as well as the still-tight physical market conditions expected throughout 2012.

In the first months of 2012 commodity prices started to increase due to a better than expected worldwide economic growth. The likelihood of a strong setback of the Chinese economy growth diminished and also the expectations for European and the US-economy brightened up. At the beginning of April 2012 the sentiment changed and a cloudier economic outlook reduced stock and commodity prices. Especially the index for non-ferrous-metals decreased. The demand for copper, aluminium, tin, zinc, lead and nickel is correlated strongly with world economic growth. On balance, however, the risks to the outlook appear to be more limited than six months ago.

The commodity prices in US-Dollar are still well below the peaks reached mostly in summer 2008. In January 2012, the energy index in nominal terms was still 19.3 per cent lower than in the peak in June 2008. Non-energy prices were, respectively, 8.7 per cent lower. Given the group's assumptions that the European sovereign debt crisis while being contained but remains a drag on economic growth for the time being and that growth in emerging economies continues on a more moderate level, the upward pressure on commodity prices should be limited over the forecast horizon. The outlook implies, in general, softening commodity markets and declining prices until the second quarter 2012. Economic activity will start strengthening slowly but noticeable during the

second half of 2012, which will firm the markets in the next two years. The price development of crude oil differs from the non-energy price developments in 2012 due to supply issues.

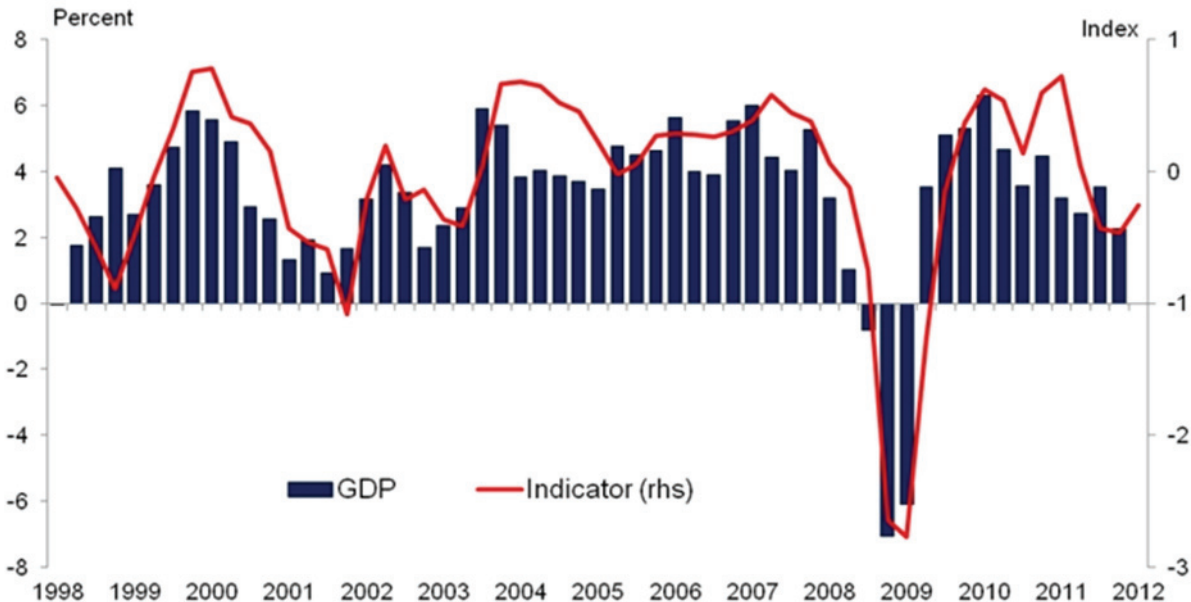
World trade is expected to grow by 4 per cent this year after 6 per cent in 2011. An acceleration is to be expected in 2013 (5.5 per cent). Those growth rates have to be compared to long term average (6 per cent per annum from 1991 to 2011). Global imbalances would remain rather large, according to our forecast but the geography of those imbalances is expected to change. Japan will enter into years of trade deficits, while the euro area will register rather large trade surpluses. However this would be mainly the consequences of strong downward adjustments of imports in some countries. Export market shares of euro area peripheral countries as well as for Spain and Italy are not expected to increase significantly.

1 General overview and assumptions

1.1 Recent developments in the world economy

The global economic outlook has worsened yet again slightly since autumn and risks sharply escalated during the fourth quarter of 2011, as the euro area crisis remained unsolved. Global GDP was expanding at an annualized rate of 3.5 per cent in the third quarter – only slightly worse than forecast in the September 2011 World Economic Outlook by the IMF. While growth in the advanced economies (in particular in the U.S.) was solid, some of the largest and most dynamic developing countries’ growth slowed more than expected. After all, growth in high-income countries remains weak in historical perspective.

Chart 1 Global GDP and IfW-Indicator for world economic activity



Source: IFW

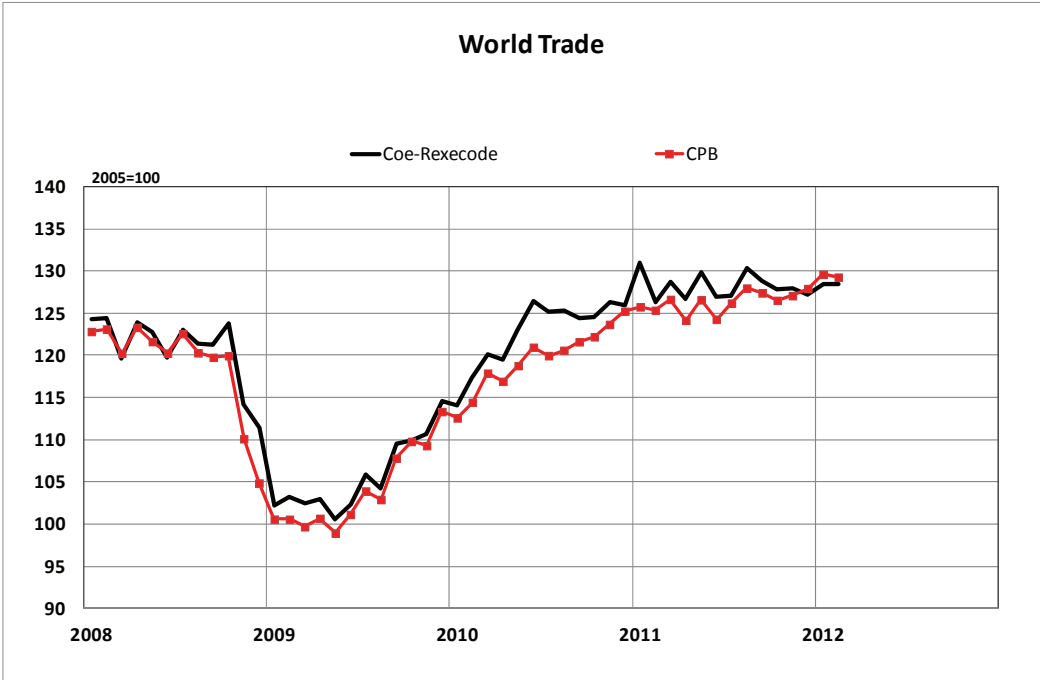
As a further escalation of the crisis in Europe cannot be ruled out, there is a major global downside risk to growth. The possible downturn might even be deeper and longer-lasting than the recession of 2008/2009 since the fiscal and monetary space to stimulate the global economy or support the financial system to the same degree as they did in 2008/09 is gone now. The developing countries also have fewer resources available, although they are still in better shape than high-income countries. Oil prices, however, stayed strong recent months, triggered by supply developments and geopolitical risks, which are expected to remain for some time.

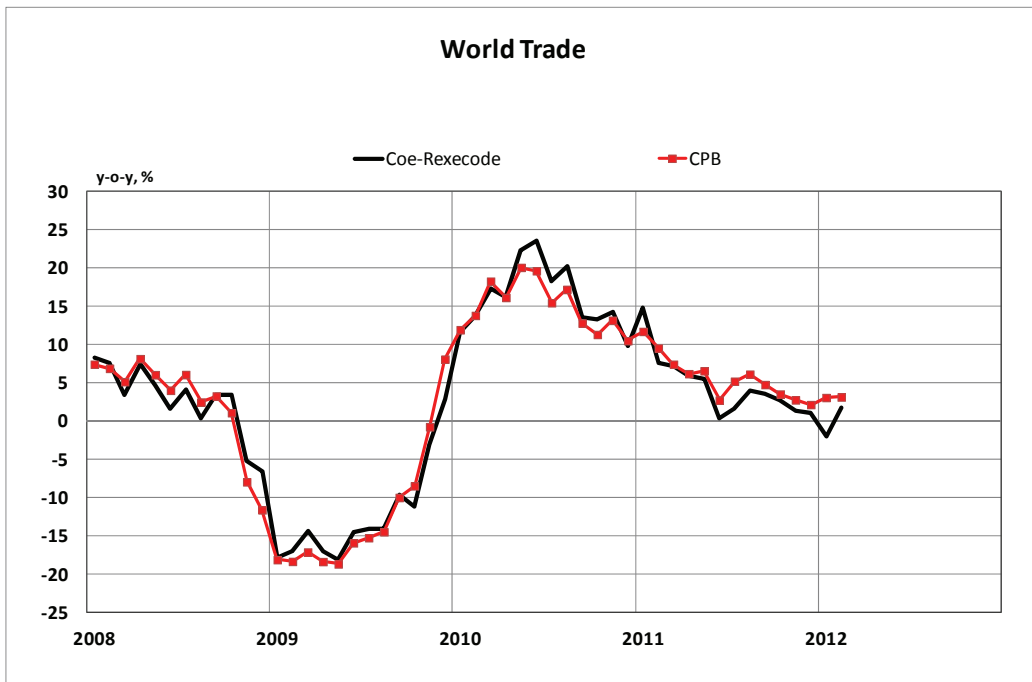
Driven primarily by the hike in energy and food prices in the first half of 2011, inflation was on the rise in almost all regions of the world. But, due to the global economic slowdown, inflation will reduce again, with inflation in emerging markets remaining significantly higher than in developed countries. The latest CPB data indicate that world industrial production grew by 1.2 per cent in January-February compared to 2011 Q4.

1.2 Recent trends in world trade

According to the two monthly indicators developed by CPB and Coe-Rexecode, world trade growth moderated in the course of 2011. However, it did not show a sharp contraction. A slight reacceleration even occurred in the first two months of the year. In February, the year-on-year growth reached around 2.5 per cent on average. Using the January and February estimates provided by the two indicators and preliminary data for March, the carry-over in the first quarter of 2012 would be around 1.5 per cent.

Chart 2

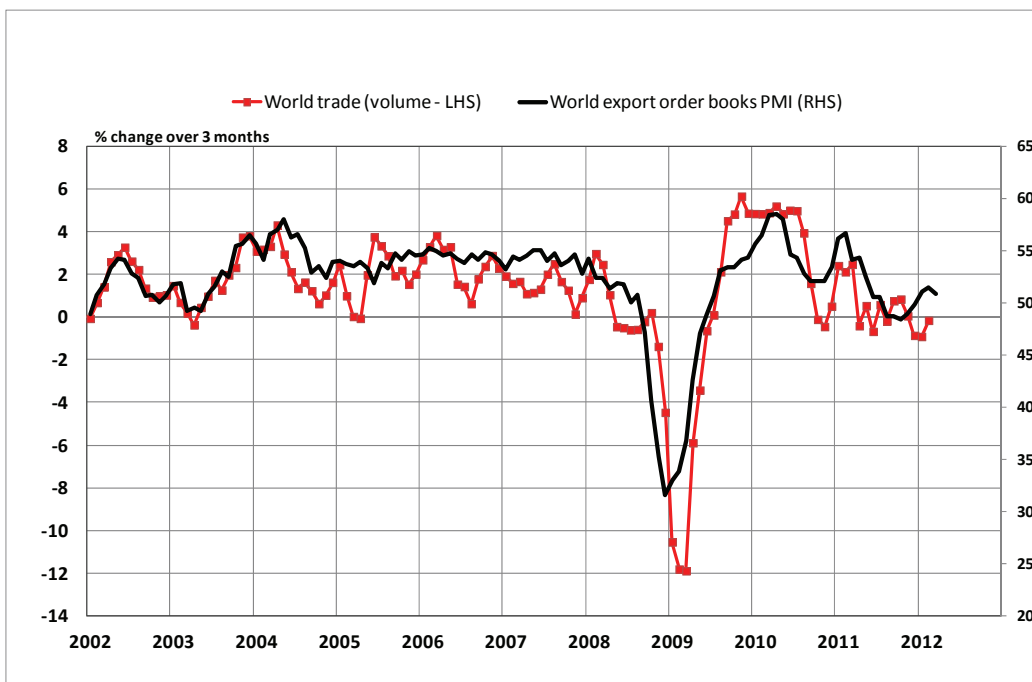




Sources: CPB, Coe-Rexecode

The global PMI index on export order books confirms those recent trends on world trade. It receded below the 50 threshold at the end of 2011, before registering a slight recovery in the first two months of this year. The current position of this indicator is consistent with modest growth in world trade at the beginning of 2012.

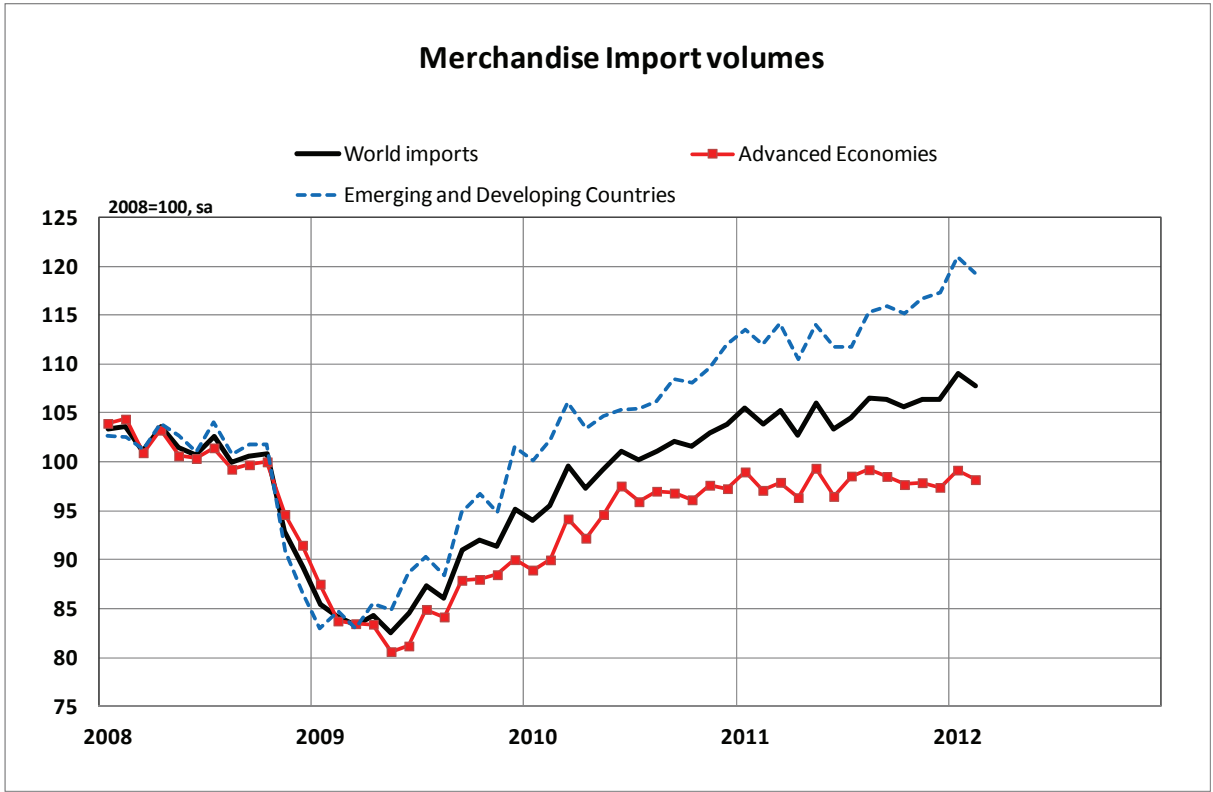
Chart 3



Source: Coe-Rexecode, Markit

At the end of 2011, world trade growth was mainly driven by emerging countries, while on the opposite developed economies imports were oriented downwards. This was mainly the result of the contraction of Euro area imports (around 3 per cent in volume terms in the last quarter of 2011, compared to the third quarter), driven by a sharp decline in Italian and Spanish imports (6 per cent) reflecting the adjustment of internal demand in those two countries. Among emerging countries, OPEC and Latin America have been the two most dynamic regions in recent months regarding their imports. OPEC’s demand was clearly supported by oil revenues and Latin America imports were stimulated by a rather strong internal demand. China’s imports, a country which is now a key player for world trade, were almost flat in the first half of the year. Then, they recovered, but following an erratic path in the first three months of 2012.

Chart 4



Source: CPB world trade monitor

1.3 Main assumptions and forecasts risks

In comparison with our autumn 2011 forecast, the assumption for GDP growth in the U.S. is unchanged, slightly revised downwards for growth in Japan and cut by a full percentage point for growth in the Euro area. Accordingly, world trade in volume terms is now expected to increase by 4 per cent this year, clearly below the long term average (6 per cent per year from 1991 to 2011). This shows a substantial revision compared to our previous forecast and is mainly due to the severe

adjustment of economic growth for Euro area countries, especially regarding Southern and the so-called peripheral economies. In 2013, US growth would not gain momentum, due to the expected implementation of a more restrictive fiscal policy. In Japan, once the effect of the post tsunami catching up process would be over, GDP growth is expected to be somewhat lower than this year. Regarding the Euro area, GDP would grow by a meagre 1 1/4 per cent. Finally, China GDP growth rate would slightly accelerate next year, thanks to a better external environment which would support exports.

Given the carry-over for world trade (average of CPB and Coe-Rexecode indexes) up to February and preliminary estimates for March, the quarterly profile consistent with the annual averages displayed in our central forecast for world trade growth is a moderate expansion of world trade in the remaining quarters of 2012 and in 2013. This would lead to a 5.5 per cent trade growth next year. This forecast is in line with the WTO assessment for this year (world trade growth is expected to reach 3.7 per cent in 2012 after a 5 per cent increase last year). Our forecast is also close to the last IMF assumptions included in the recently released World Economic Outlook (the IMF forecast for world trade growth in volume is respectively 4 per cent and 5.6 per cent in 2012 and 2013, after 5.8 per cent in 2011).

Of course, many risks can be identified around this central scenario. The first one concerns the oil price forecast. It is discussed in details in the Box1 (see pages 11 and 12). But it is clear that since the beginning of the year the oil price has been maintained at a particularly high level while economic growth remained weak in Western economies. Of course, it can be explained by political tensions in the Middle East but it also shows that to some extent world economic growth is capped by potential tensions on raw material prices, especially oil. Naturally, another key risk concerns the Euro area debt crisis developments. Besides our central assumption, many alternative scenarios can be built including more negative developments in the Euro area.

Table 1- Main assumptions and world trade forecast

	Autumn 2011			Spring 2012		
	2010	2011	2012	2011	2012	2013
	Annual percentage changes or levels					
GDP volumes						
United States	3.0	1.5	1.9	1.7	2.0	2 ^{1/4}
Japan	4.0	-0.5	2.2	-0.7	1.75	1.5
Euro Area	1.7	1.6	0.8	1.5	-0.25	1 ^{1/4}
China	10.3	9.3	8.5	9.2	8 ^{1/4}	8.5
Exchange rates (levels)						
USD / Euro	1.35	1.40	1.35	1.38	1.30	1.30
Yen / USD	86.5	80	80	79.8	83	84
World trade prices (USD)						
Crude oil (level, Brent, \$/b) (a)	79.6	109.8	106.5	110.6	120	118
Non energy primary commodities (a)	30.1	21.0	-1.0	20.5	-8.0	6.0
World trade volume of goods	14.3	6.7	5.5	6.0	4.0	5.5

(a): based on the forecast of the AIECE Working Group on Commodities prices; Source: WG forecast

Box 1. The Impact of Higher Oil Prices on Global Growth

By Klaus-Jürgen Gern, IfW and Paavo Suni, ETLA

The AIECE Working Group's projection for oil prices has been revised up substantially from last autumn. The annual average forecast for Brent crude oil in 2012 has been lifted from 96 US-\$ in the Working Group report presented in November 2011 to 120 US-\$ in the present forecast followed by only slightly lower prices in 2013. Against this background, we have simulated the impact of a permanent 20 US-\$ rise in oil prices using the National Institute's global macroeconomic model NiGEM. According to a simulation, growth in the advanced economies is reduced by around ½ of a percentage point in both 2012 and 2013; the level of GDP is reduced by 1 per cent over two years (see table with simulation results). Inflation would deviate from the baseline by 1 and 0.7 percentage points in the first and second year, respectively. The effect is most pronounced in the US reflecting a relatively high oil intensity of the economy and a relatively small tax wedge (which leads to a relatively high percentage change in consumer prices for any given change in the price of crude oil). The euro area is somewhat less affected as well as Japan, the latter country especially in the case of inflation. Higher oil prices reduce growth significantly also in many emerging economies, with a particularly large impact found for India. Not surprisingly, oil exporters, such as Russia, tend to benefit from higher oil prices. On balance, however, global growth is negatively affected by roughly ¼ of a percentage point in each year. (Or 0.2 and 0.4 percentage points in 2012 and 2013 respectively.)

Impact of a Sustained Increase of Oil Prices by 20 US-Dollar 2012 and 2013

	Real GDP		Inflation	
	2012	2013	2012	2013
World	-0.2	-0.6	1.2	0.9
Advanced Economies	-0.5	-1.0	1.0	0.7
United States	-0.6	-1.3	1.4	0.9
Euro Area	-0.3	-0.6	0.8	0.4
Japan	-0.7	-1.1	0.5	0.4
Emerging Economies				
Brazil	-0.1	-0.3	2.1	1.0
Russia	1.0	1.6	-0.5	0.0
India	-0.5	-1.4	2.8	0.6
China	0.0	-0.3	0.3	1.0

Simulation results with NiGEM; GDP: Deviation from baseline in percent; Inflation: Deviation from baseline in percentage points.

Source: NiGEM Datenbank; own calculations with NiGEM.

The impact on growth as estimated by NiGEM may be even on the low side as this class of macroeconomic models do not discriminate between different kinds of shocks. There is evidence that the impact of an oil shock originating from a reduced oil supply (such as in early 2011 following the shutdown of Libyan production) or a perceived risk of such a shortage (such as now in the wake of the Iran crisis) may affect growth stronger than increases of oil prices that are induced by strong demand growth stemming from rapid growth in the energy-intensive emerging markets (see for example IMF 2007: 17–19).

In the context of a sustained rise of crude oil (there may also be asymmetric effects of oil price increases that arise when prices climb to levels that have not been reached in (recent) history (for an overview of the relevant literature see Hamilton 2011). Asymmetrical effects are based on the notion that a new level of oil prices may trigger responses on the supply side of the economy e.g. in terms of production technology or capacities of oil

intensive production that will not be reversed in case of declining oil prices. Given that the annual average of 120 US-\$ represents a new historical high and that this is the second successive year of record oil prices on an annual average basis gives rise to a potentially disproportionately strong negative effect on output.

In NiGEM the change of the price rise changes terms of trade permanently, which reduces the equilibrium output in oil-importing countries permanently. (See e.g. Barrell –Pomeranz 2004) In case of advanced economies, the 20 USD/b price rise will decrease the level of GDP permanently by around 1 1/3 per cent compared to base line. The longer-term effect on Euro Area Output is a bit lower, slightly over 1 per cent than in case of the USA.

It can, however, also be argued that the short run effects can be smaller than presented in the table. Part of the output effects is the result of a tightening of monetary policy to dampen the inflation according to the pre-set rules. A permanent oil price raises naturally the price level and accelerates consumer price changes only temporarily, if it does not feed into wage rises to compensate the reduction of real wages.

In the current context, central banks have so far been reluctant to rise interest rates and no tightening of monetary policy is in sight in the near future, at least in the advanced economies. Here the economies are still struggling with the legacy for the global financial crisis, and high unemployment is leading to upward pressure on wages and interest rates. The case is, however, slightly different in the emerging economies where inflation is already more of a concern.

References:

Barrell, R., and Pomeranz, O. (2004). Oil Prices and the World Economy, NIESR Discussion Paper 242.

Hamilton, J.D. (2009). Nonlinearities and the Macroeconomic Effects of Oil Prices. Mimeo. Via

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IMF (2007). World Economic Outlook. April. Washington.

2 The world trade outlook

2.1. Imports and domestic demand

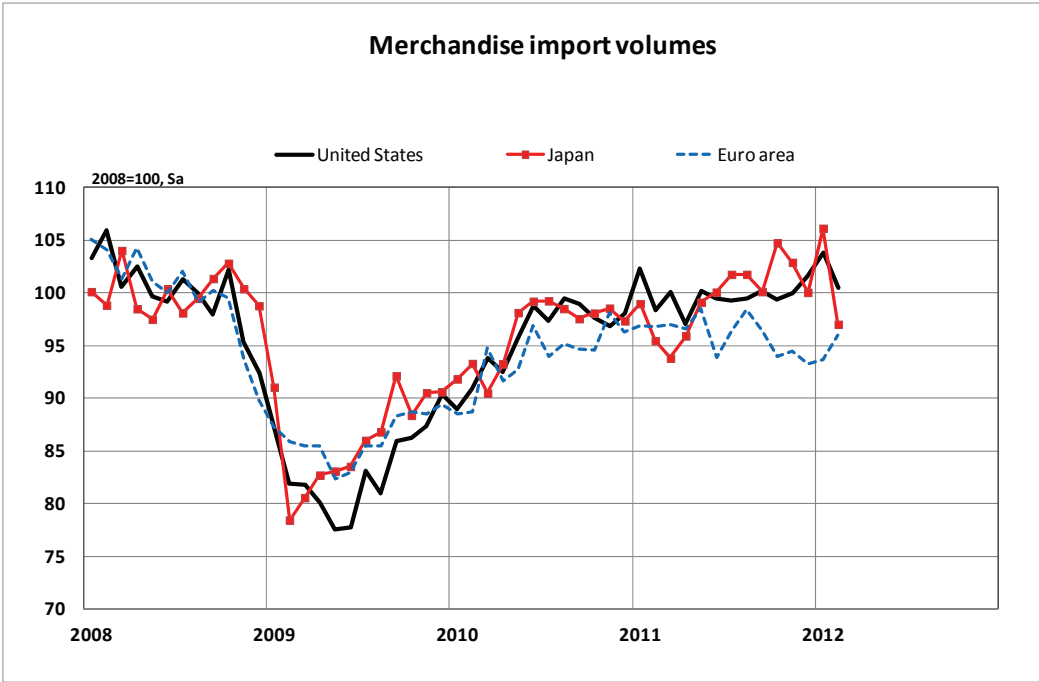
In 2012 we expect a cut by two percentage points in world imports growth in volume terms compared to 2011. This decline will be mainly the consequence of the Euro area recession, which will be accompanied by a strong contraction in internal demand in some countries. Spain and Greece would suffer from a 10 per cent decline in their imports. Portugal would also be hit severely, although to a lower extent. Italy would register a contraction in its imports as well, but at this stage the reduction is forecasted to be rather limited compared to other countries. This decline in imports of countries facing a severe debt crisis would not be offset by an acceleration elsewhere, because of spillover effects on activity within the Euro area through external trade. German imports would only increase by 3.5 per cent (half of the

increase observed a year ago) and imports are expected to remain almost constant in France. As a whole, Euro area imports would be flat this year before registering a small recovery in 2013. Except for Spain and Greece, all Euro area members' import growth rates return to positive territory next year. Fiscal policy is expected to be slightly less restrictive and a less gloomy economic outlook will lead to unfreeze some investment projects. However, this slight improvement in the economic situation will not mean a pronounced acceleration of economic growth and internal demand as the debt burden (private or public, or both in some countries) will continue to hamper the recovery.

In the US, the economic revival is mainly based on the internal demand. Private consumption is supported by the improvement on the labor market and the sound financial situation of companies favors business investment. U.S imports would thus grow by around 4 per cent this year. It will not significantly speed up next year as the fiscal stance will be probably more restrictive after November's presidential election.

Japanese imports since the March 2011 earthquake. On the one hand, they have been boosted by the substitution of local products such as food and energy (as most nuclear reactors the Fukushima disaster). On the other hand, the negative impact of the tsunami on domestic activity limited import growth. As a whole, Japanese imports are expected to grow by 5 per cent this year and only by 4 per cent in 2013 as the substitution effect will play a weaker role and the catching up process will come to an end.

Chart 5

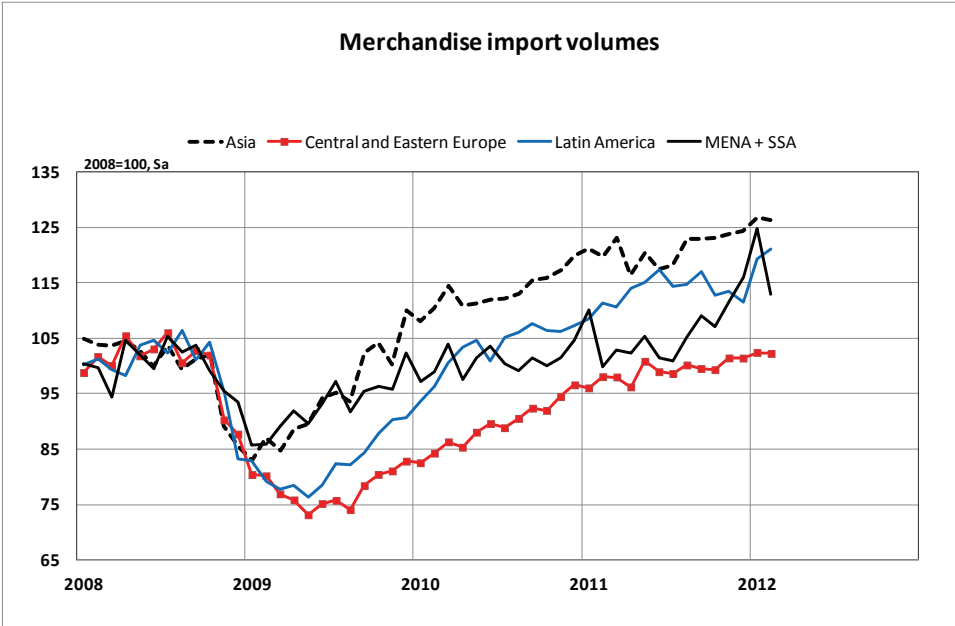


Source: CPB world trade monitor

Emerging countries will remain the most dynamic markets, although their import growth rates will not be as high as in the past. Asian countries' demand will remain strong, especially in China, where monetary policy has taken a more expansionary stance lately. However, some signs of moderation of activity are visible in this region in line with spillover effects of a loss of dynamism of their exports which also has been translated into a moderation of investment projects. Economic growth in Latin American economies has also slowed down. However, excluding a more serious downturn in the global economic outlook, regional growth is likely to remain solid, driven mainly by domestic demand. There are downside risks to this scenario, but the region is enjoying rather solid fundamentals and has counter-cyclical margins for economic policies to cope with an external shock. Therefore, import growth of this region will remain rather strong, showing only a moderation in 2012 followed by a recovery in 2013.

With the exception of Poland, where internal demand is supported by the European football championship, Central European economies suffered from the uncertainty on Euro area economic developments (some of them being a member of the EMU). Import developments in 2012 would reflect this moderation of economic activity, which is expected to come to an end next year as a slight improvement of activity should be observed in the Euro area. On the opposite, oil exporting countries, especially Russia have benefited from strong revenues thanks to the rising oil prices, explaining a sharp increase in import volumes (+20.5 per cent for goods and services according to national accounts). This will continue in 2012, but import growth momentum might soften a bit next year due to lower oil price.

Chart 6



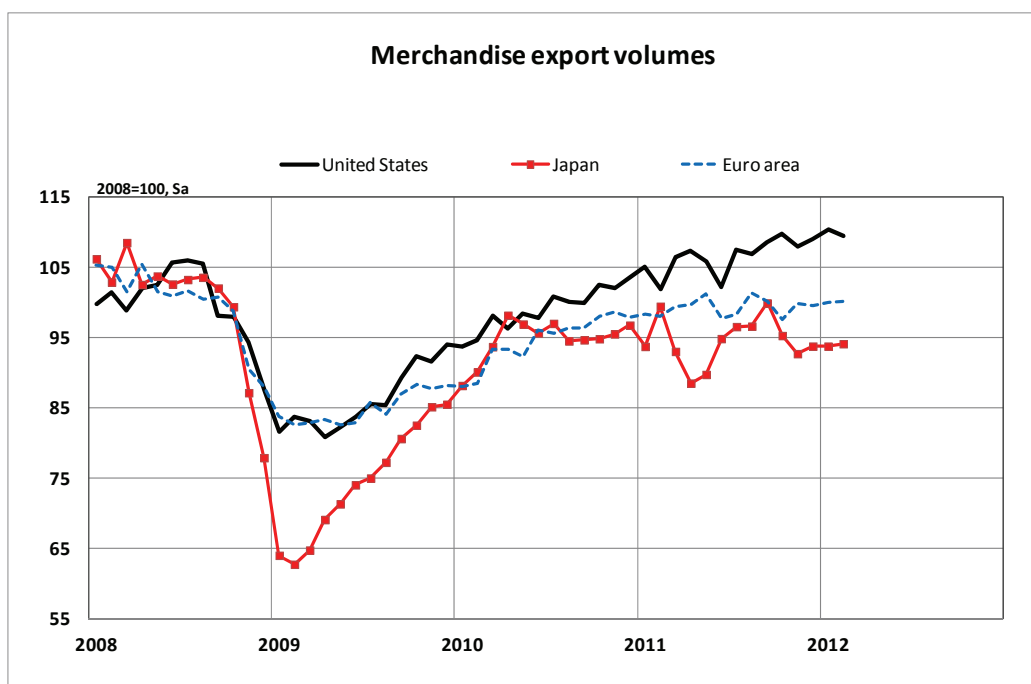
Source: CPB world trade monitor

Expressed in US dollar, world import prices are expected to be constant this year after a sharp increase in 2011 (12 per cent). Next year, we expect a modest acceleration to 1.5 per cent, reflecting only limited global inflationary pressures despite a very loose monetary policy in many countries. Of course, those cautious assumptions might be challenged in case of persistent increases in oil prices. For Euro area countries, as we expect a 6 per cent decline in the euro area exchange rate against the US dollar on average in 2012, import prices in euro terms will still be on the rise, although at a much lower rate than in 2011 (2.5 per cent after 6.7 per cent). In 2013, under our assumptions on raw material prices and exchange rates, import prices would increase by only 1.5 per cent. Of course, higher oil price or a further depreciation of the euro would lead to higher import price inflation in the Euro area.

2.2. Exports and price competitiveness

In 2012, we expect a widespread slowdown in exports. Due to a sharp decline in intraregional flows, euro area exports in volume terms will increase at a lower rate than world trade (around 2.5 per cent against 4 per cent), although a weaker euro will boost competitiveness of the region, especially against the dollar- zone countries. Due to lagging effects of price competitiveness and a strengthening demand, Euro area countries would experience an acceleration of their export volumes next year. Outside the Euro area, exports of other European countries would be dampened by an appreciation of their currency. Sweden would even register a contraction of its exports. In Japan, exports have been impacted last year by the consequences of the tsunami and the strength of the yen. Thailand's floods caused also a disorganisation of the supply chain in many Asian companies. In 2012, we expect that the recovery would lead to higher export volumes for this country even though Japanese export markets would be less dynamic. Next year, Japanese exports would gain momentum as a result of stronger demand in particular from stronger Asian emerging economies and a weaker yen. US exports would be resilient this year and will accelerate further next year in line with world trade.

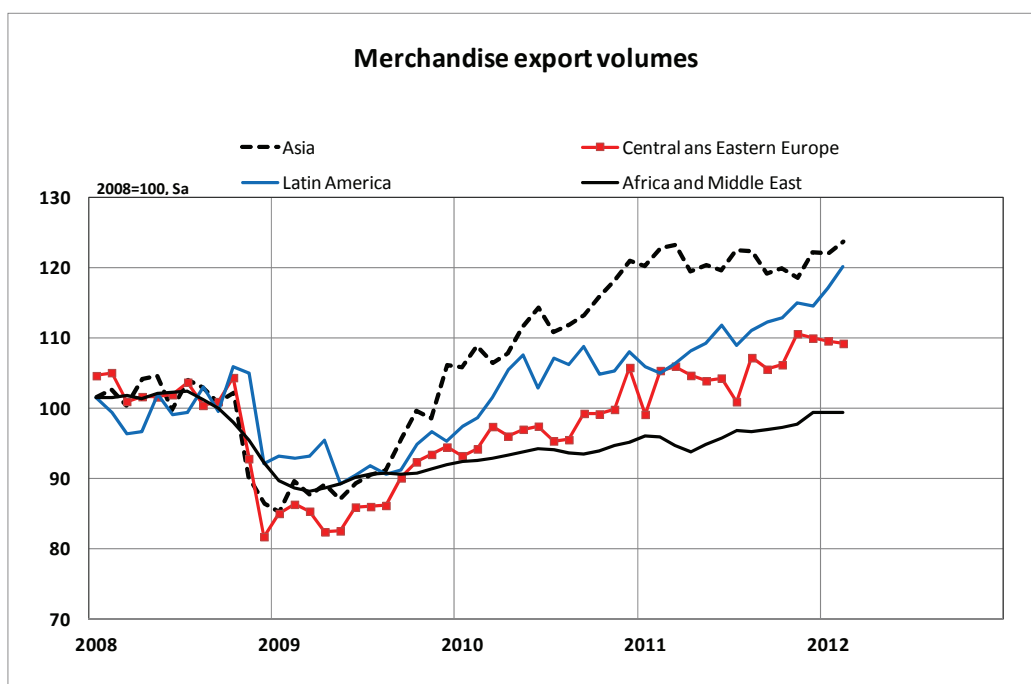
Chart 7



Source: CPB world trade monitor

Emerging countries would also register a moderation of their export volumes. Emerging Asia and especially China will suffer from the slowdown of European markets. Chinese exports would increase by 6.5 per cent this year, well below a long-term average of 17 per cent during the last 20 years. The appreciation of the renminbi also played a role in Chinese exports moderation even though Western countries always claim that the movement has been too limited.

Chart 8



Source: CPB world trade monitor

2.3. Market shares developments

In 2012 and 2013, emerging countries would continue to gain export markets shares compared to advanced economies. However, those gains would be more limited than in the past, especially regarding China. This can be explained by exchange rates movements, as mentioned above. But this raises also the question of the speed of the catching up process and the integration of China in the global economy. China is now the world’s biggest exporter with a global market share of 10.4 per cent in 2011 according to the WTO, far ahead of the US and Germany (8.1 per cent), twice as much as Japan (4.5 per cent). Perhaps, the fact that China’s export market shares are levelling off illustrates a higher degree of maturity of this economy (for instance higher wages can encourage delocalisation of some industrial activities abroad), limiting future exports expansion.

Chart 9



Source: COE-Rexecode calculations

$$\text{Export performance} = \text{Chinese exports} / \text{world demand (in volume terms)}$$

Japan market shares contracted severely in 2011, but it was mainly the consequences of the natural disasters (tsunami in Japan and Thailand floods) which disturbed the supply chain in Asian countries,

and especially among Japanese companies' affiliates. As a consequence, better export performance is expected for this country in 2012 and 2013. Moreover, the weakening of the yen at the beginning of this year will strengthen Japanese product competitiveness.

Table 2

Changes in export market shares
(in percentage points)

		2011	2012	2013
Euro area (extra trade only)	Export growth	6,8	2,6	5,0
	Foreign demand	6,3	5,0	5,8
	Export market share	0,5	-2,4	-0,9
US	Export growth	7,5	5,5	6,0
	Foreign demand	6,7	5,0	5,9
	Export market share	0,8	0,5	0,1
Japan	Export growth	0,0	4,0	5,0
	Foreign demand	6,3	5,2	6,2
	Export market share	-6,3	-1,2	-1,2
Emerging Asia	Export growth	6,9	5,3	7,0
	Foreign demand	5,9	4,2	5,1
	Export market share	1,1	1,1	1,9
China	Export growth	9,7	6,5	8,0
	Foreign demand	6,1	4,7	5,7
	Export market share	3,6	1,8	2,3
Latin America	Export growth	6,0	5,5	6,0
	Foreign demand	5,6	4,0	4,9
	Export market share	0,4	1,5	1,1
C+E Europe	Export growth	8,0	4,0	6,0
	Foreign demand	4,9	1,5	4,4
	Export market share	3,1	2,5	1,6
Africa and Middle East	Export growth	2,8	4,5	5,0
	Foreign demand	5,5	4,1	5,4
	Export market share	-2,7	0,4	-0,4

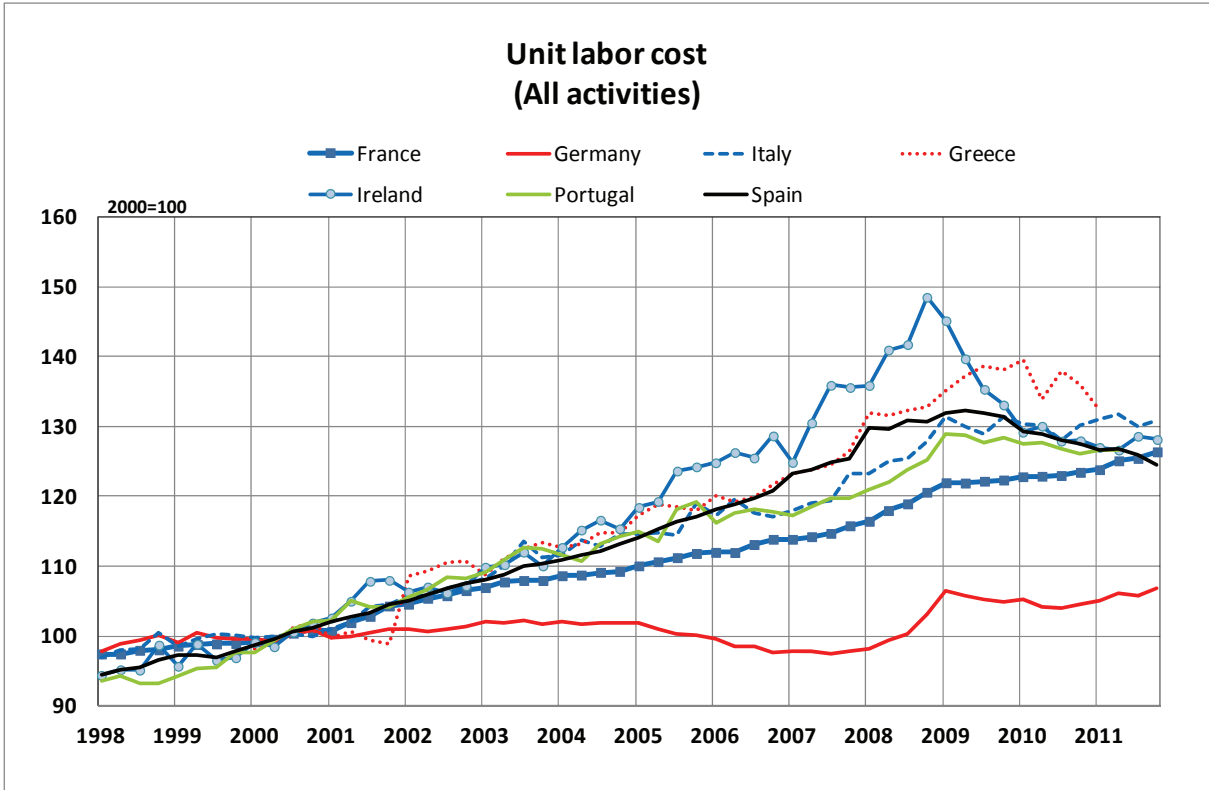
Source: WG forecast

Following the technical assumption of a fixed exchange rate during the forecast horizon, price competitiveness will not affect so much export market shares developments between main export countries and regions in 2013. For example, U.S. exports are supposed to be in line with world demand.

Adjustment of market shares among Euro area members will remain limited over the forecast horizon although this would be a key element of a realignment of the Euro area. In terms of unit labour costs, some Southern European countries have already registered rather pronounced adjustment like Ireland

and Spain, and at a lower extent Greece and Portugal. Of course the gap with Germany is far from being closed. In this context, it is noteworthy that German institutes¹ don't expect a decline of export market shares of their country in 2012 and 2013. This can also be explained by the fact that sectorial specialisations differ significantly from a country to another while German products benefit from a very high level of non-price competitiveness which can create a rigidity of market shares to changes in unit labour costs. Regarding other Euro area countries, their export market shares are expected to remain more or less stable. None of the so called “peripheral countries” is expected to register a significant rise in its export markets shares. A rather weaker Euro will favour countries of which exports are rather sensitive to price competitiveness as France.

Chart 10



Source: OECD

¹ For the sake of completeness, it is important to remember that the task of the AIECE institutes, however, is to provide consistent forecasts on external trade.

Changes in export market shares
(in percentage points)

	2011	2012	2013
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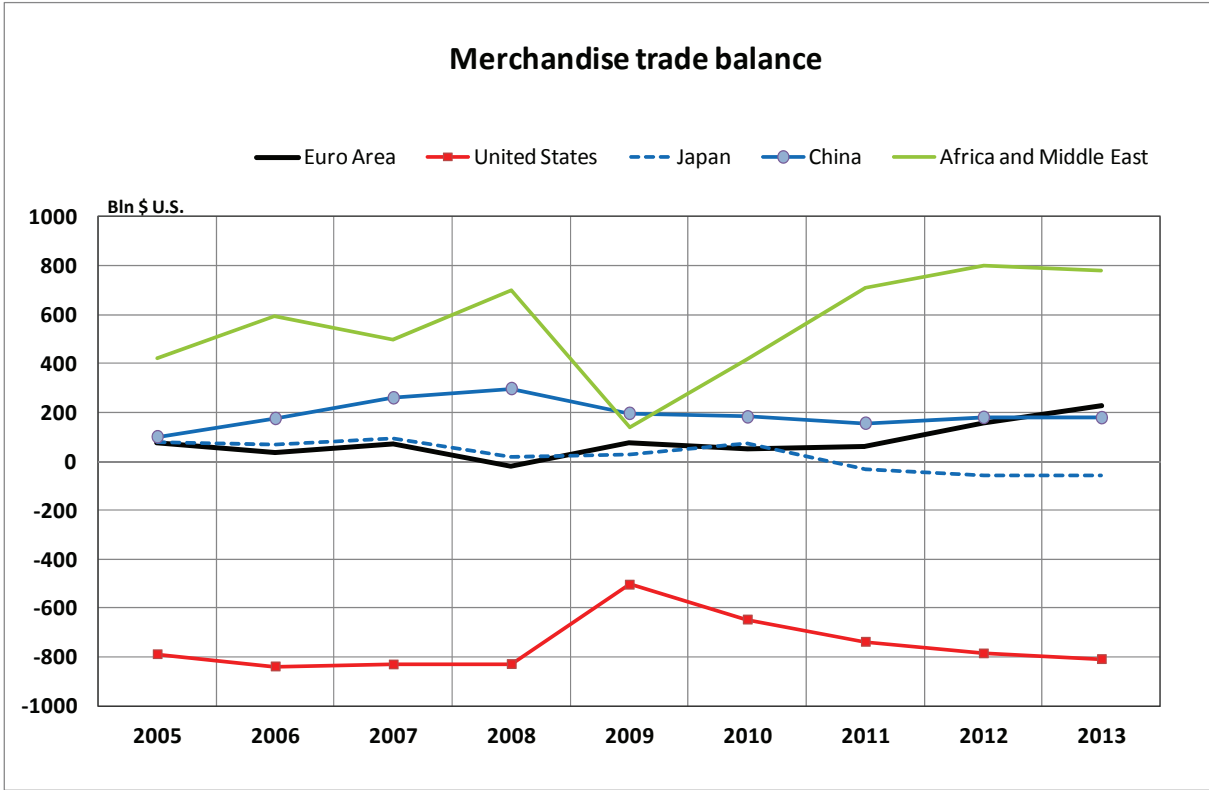
Germany	Export growth	9,0	3,0	5,3
	Foreign demand	5,1	2,6	4,9
	Export market share	3,9	0,4	0,4
France	Export growth	4,4	2,8	5,3
	Foreign demand	5,1	2,1	4,6
	Export market share	-0,7	0,7	0,7
Italy	Export growth	7,8	2,8	4,8
	Foreign demand	5,7	2,8	5,0
	Export market share	2,1	0,0	-0,2
Spain	Export growth	9,0	2,0	5,0
	Foreign demand	4,3	1,9	4,8
	Export market share	4,7	0,1	0,2
Netherlands	Export growth	6,0	2,5	4,7
	Foreign demand	5,9	2,1	4,7
	Export market share	0,1	0,4	0,0
Austria	Export growth	7,5	3,5	6,0
	Foreign demand	6,8	3,3	5,4
	Export market share	0,8	0,2	0,6
Finland	Export growth	2,1	2,5	4,5
	Foreign demand	6,0	3,0	5,2
	Export market share	-3,9	-0,5	-0,7
Belgium	Export growth	5,0	1,5	5,5
	Foreign demand	5,0	2,3	4,9
	Export market share	0,0	-0,8	0,6
Greece	Export growth	4,0	3,0	4,5
	Foreign demand	6,2	3,2	5,0
	Export market share	-2,2	-0,2	-0,5
Ireland	Export growth	4,8	3,0	4,5
	Foreign demand	4,5	2,1	4,2
	Export market share	0,3	0,9	0,3
Luxembourg	Export growth	6,1	3,0	4,5
	Foreign demand	5,3	1,6	4,6
	Export market share	0,8	1,4	-0,1
Portugal	Export growth	7,5	1,5	4,5
	Foreign demand	4,5	-0,8	3,6
	Export market share	3,0	2,3	0,9
Slovenia	Export growth	7,7	3,8	6,0
	Foreign demand	7,3	3,5	5,2
	Export market share	0,4	0,3	0,8

Source: WG forecast

2.4 Trade balances

Regarding trade balances our assumptions on export and import prices and volume lead to significant changes on the forecast horizon. The main change would be a significant surplus in the Euro area trade balance. This is explained by the growth differential between the Euro area, where some countries would experience another year of recession in 2012, and the rest of the world. The US trade deficit will not be reduced at the forecast horizon and it would even widen. Japan will enter into a period of trade deficit, which can influence heavily the structure and the amounts of financial flows between Asia and America. The US trade deficit would be mainly financed by other Asian countries and oil producers (Middle East).

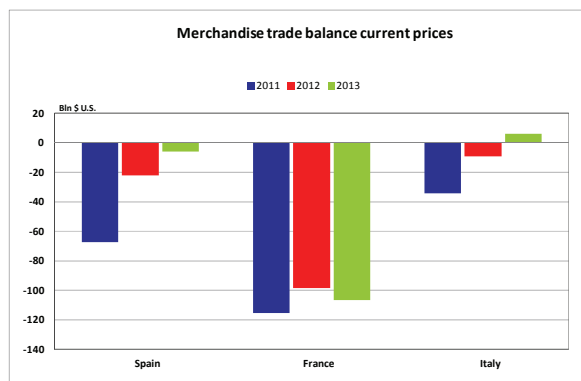
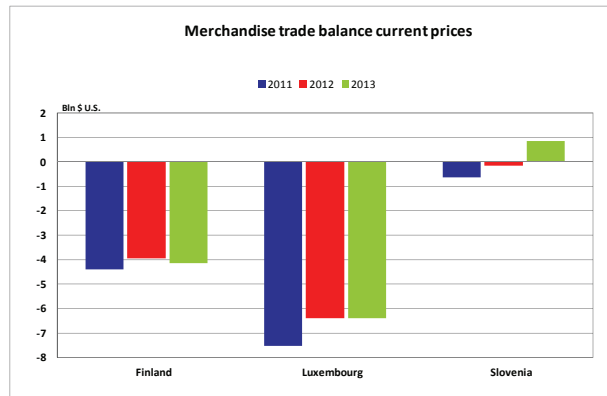
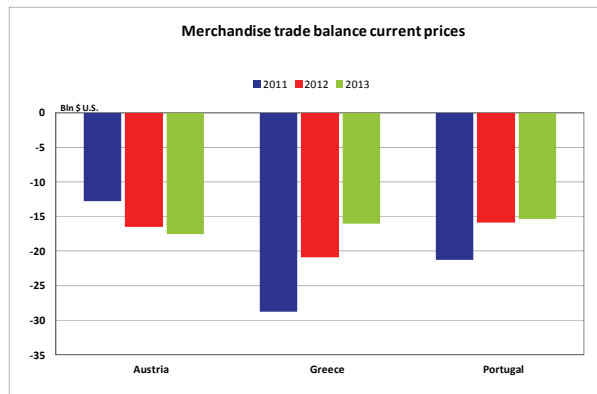
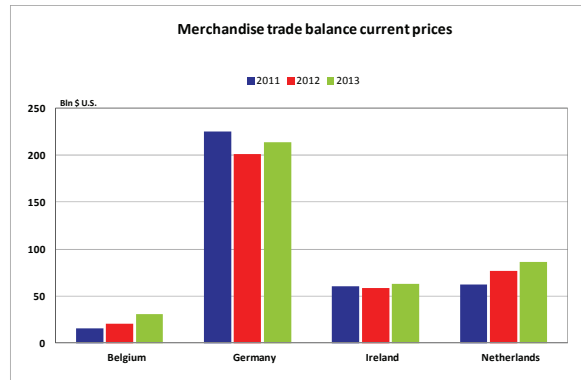
Chart 11



Source: CPB world trade monitor, AIECE working group forecasts for 2012 and 2013

Among Euro area countries, some adjustments would happen explained by the import volumes' growth differential rather than export market shares' developments. Germany's surplus will be remarkably resilient. Spain would be closer to the equilibrium, while Italy would register a surplus in 2013.

Chart 12

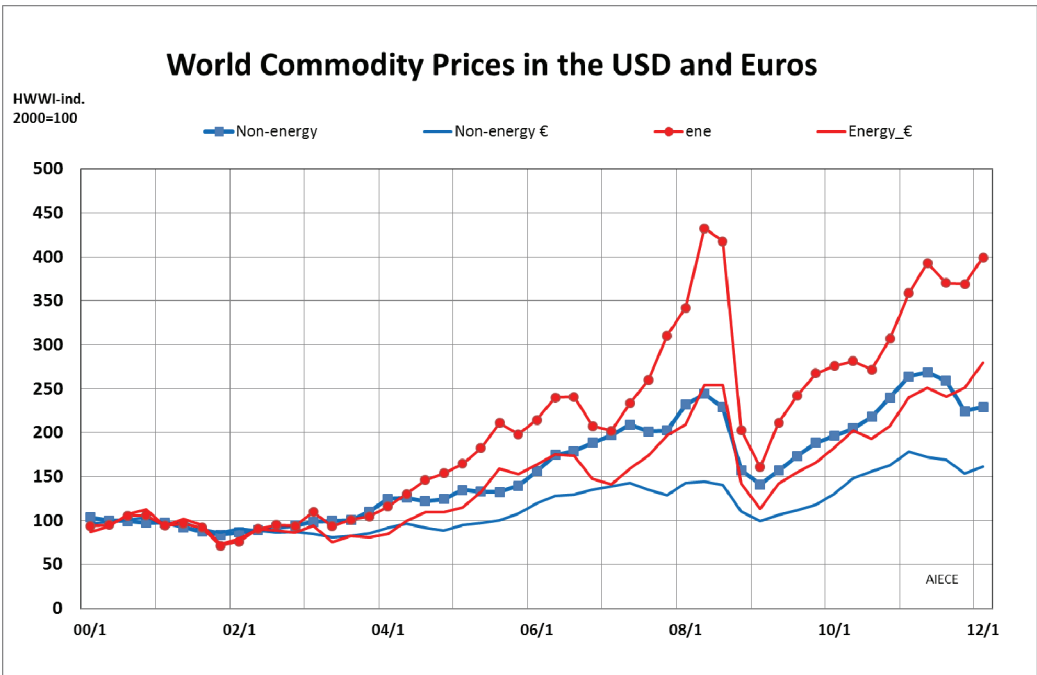


Source: CPB world trade monitor, AIECE working group forecasts for 2012 and 2013

3 Commodity price outlook to 2013

3.1 Recent price developments

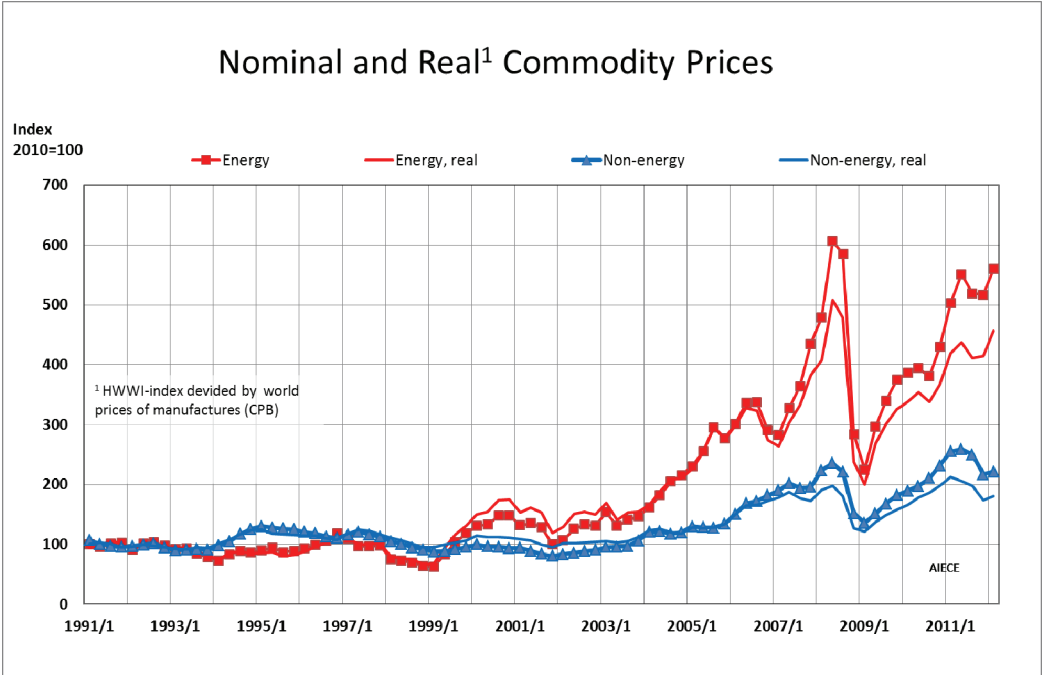
The energy price and most of the other commodity prices rose in the first quarter 2012. Oil prices rose rapidly pushed by the risen supply uncertainty due to a dispute between Iran, which is the second biggest oil producer in the OPEC, and western countries about its nuclear program. Iran threatened to close the Sea Strait of Hormuz, if it is being military attacked. The Sea Strait is a very important transit route for oil transports with about 20 per cent share of world oil exports. The oil prices (Brent quality) increased to over 128 dollars per barrel, as the crisis intensified. Besides Iran, supply interruptions in countries like South Sudan, Yemen and Syria also supported the oil price. Furthermore, the oil prices, like other commodities, were supported by the lax monetary policy of the national banks. The Federal Reserve and the ECB flooded the markets with liquidity. Many investors used this additional money to invest in commodities, which pushed the prices. Their aim was to diversify their portfolios and to protect themselves against the threat of inflation. Commodities represent a good instrument of inflation protection because they are real assets.



In the first months of 2012 commodity prices started to increase due to a better than expected worldwide economic growth. The likelihood of a strong setback of the Chinese economy growth diminished and also the expectations for European- and the U.S.economy brightened up. However, at the beginning of April 2012 the sentiment changed and a cloudier economic outlook reduced stock and commodity prices. Especially the index for non-ferrous-metals decreased, since the demand for

copper, aluminium, tin, zinc, lead and nickel correlates rather strong with the global economic growth. From extraordinary importance for the metal-markets is the strong and quick growing Chinese economy. The portion of China on the global copper demand is forty per cent. The Chinese government declared that the country's economy were to slow down to 7.5 per cent, which is remarkable lower than in the years before, but still a strong growth rate.

The commodity prices in US-Dollar are still below the peaks reached in summer 2008. In January 2012, the energy index in nominal terms was still 19.3 per cent lower than in the peak in June 2008. Non-energy prices were, respectively, 8.7 per cent lower. Real prices (HWWI-commodity price indices divided by the world prices of manufactures' price index by the CPB, The Hague) show a similar message as the changes in nominal prices. Real energy prices were in January 2012 still 17.5 per cent below the previous nominal and real monthly price peak in June 2008. The peak price was also an all-time-high. Nominal and real commodity prices excluding energy on the other hand, peaked also in summer 2008, but they rose strongly after the bottom price in recession and reached their all-time-high price more than 2.5 years later than energy prices in February 2011. Real prices have declined since then, and in January 2012 they were 17.4 per cent lower than in February 2011 and 7.3 per cent lower than in June 2008.



The forecasts of the group for the last quarter 2011 were quite accurate. Only the difference between forecast and realisation of the energy raw material was more pronounced due to unforeseeable developments in the oil market (Iran). The oil prices remained unchanged in the fourth quarter 2011 and increased by 9 per cent in the first quarter 2012. Hence, in comparison to the forecast (Q4 2011: -10 per cent and Q1 2012: -5 per cent) oil prices were underestimated. The forecast for the

heterogeneous group of non-energy commodities differed in the fourth quarter 2011 and in the first quarter 2012 only slightly from the actual development (see table 3). A perfect fit was achieved with minus 11 per cent by the food commodities in the last quarter 2011 and with minus 3 per cent by the Agricultural raw materials in the first quarter 2012. Also the forecast of the non-ferrous metals met very well the actual values of the last two quarters. In euro terms, the price forecasts were a little bit more imprecise due to an unpredictable depreciation of the Euro against the USD.

	USD terms				EUR terms			
	2011 Q4		2012 Q1		2011 Q4		2012 Q1	
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual
	Quarterly percentage changes							
All commodities*	-9	-3	-4	7	-5	2	-4	10
Total excl. energy	-9	-13	-1	2	-5	-9	-1	5
Food total	-11	-11	-1	1	-7	-7	-1	4
Cereals	-11	-8	-1	0	-7	-4	-1	3
Tropical beverages, sugar	-10	-11	-4	-5	-6	-7	-4	-2
Oilseeds, vegetable oils	-13	-12	1	9	-9	-8	1	12
Industrial raw materials	-8	-14	0	2	-4	-10	0	5
Agricultural raw materials	-7	-12	-3	-3	-3	-8	-3	0
Non-ferrous metals	-13	-15	4	7	-9	-11	4	10
Ferrous raw materials	-1	-15	-4	0	4	-11	-4	3
Energy raw materials	-9	0	-5	8	-5	4	-5	11
USD/EUR	1.35	1.35	1.35	1.31				
* HWWI index, total								

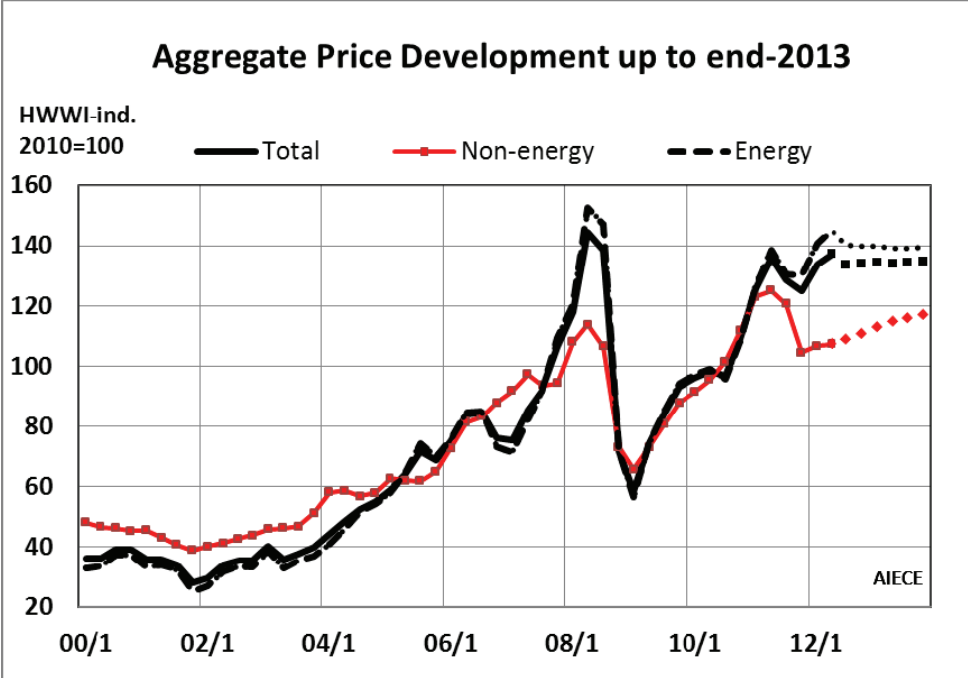
3.2 Aggregate price development

World commodity prices generally increased in the first quarter 2012 after a turn-a-round in January, which mirrored the improving global economic outlook and demand expectations. The group still expects that the sovereign debt and emerging banking crisis will be solved, but a risk for the markets is still evident. Furthermore, growth in emerging economies is moderating, which should curb price increases in the commodity markets. This implies, in general, softening commodity markets and declining prices until the second quarter 2012. Economic activity is strengthening slowly but noticeable, which will firm the markets in the next two years. An exception in 2012 is the price rise in oil due to supply issues.

The aggregate prices of commodities measured with the dollar-based total HWWI-index are set to increase this year by 5 per cent. The weight of oil in the total index, with over 70 per cent, is quite high. Next year, prices remain unchanged on average. Prices of all sub groups of indices except energy raw materials will decrease this year and increase mostly (exception: ferrous raw materials, which decrease by 1 per cent) next year, though the rates of change will vary. In 2012, ferrous raw materials

will decrease by around 10 per cent, while the decline of non-ferrous metals is expected to be 15 per cent. Agricultural product prices are forecast to decrease by 11 per cent.

In the first quarter of 2012 crude oil price increased by 12 per cent as the risks in Iran intensified. The price peaked at over 128 US-dollars in March, when Iran threatened to close the Sea Strait of Hormuz, an important passage for oil deliveries. In the course of European sanctions the supply of Iranian oil decreased to less than 3.3 million barrels per day, which was remarkably lower than the average production in 2010, when Iran aimed to surpass the 4.5 million barrel per day. The risks on the supply side will increase the crude oil price by 9 per cent in 2012. Besides supply problems in Iran, oil production in Syria, Sudan and Yemen were also interrupted. The global consumption scenario is still full of shadows. It is expected that global oil demand will reach 90 m b/d in 2012, an 800 thousand barrel / day, or less than 1 per cent, increase compared to 2011: a volume that, assuming normal conditions, could be met by the new projects coming on-stream and Saudi Arabia’s activation of free producing capacities. Hence crude oil price is forecast to be nearly unchanged in 2013 and stay just below 120 dollars per barrel. In the light of the underlying economic fundamentals and geopolitical factors in North Africa and the Middle East, as well as the expected slowdown of GDP growth in the EU in general and the mild recession in the Economic and Monetary Union in particular, the Western European average import price of natural gas is projected to increase. The year-on-year rate of growth of imported natural gas price is expected to total 12 per cent in 2012 and 7 per cent in 2013.



Both, ferrous raw material and base metal prices are negatively affected by concerns about the development of the world economy. The overcapacity in the steel production and related low cost competition will hinder steel prices to increase, while cost pressure from raw material prices is softening. It is expected that the steel prices will stay nearly unchanged in 2012 and 2013. Iron ore

price declines were caused by the softening steel use in a latter half of 2011 especially in China, which uses iron ore in its steel production intensively. China is dominating global steel production with a share of around 44 per cent. Iron ore stocks in China are close to post-recession peaks. Furthermore supply of iron ore is expected to rise rapidly already in 2012 pulled by the long lasted high prices. This will turn the cycle and lead to decrease in prices in 2012 (-16.3 per cent) and 2013 (-3.9 per cent). The decrease in iron ore prices will be limited by a new social housing program and necessary infrastructure investments due to urbanisation keep on steel-intensive investments and use of iron ore in China. Besides iron ore prices also coking coal prices will be negatively affected by a weaker steel market. Coking coal is forecast to decline 27 per cent in 2012 and 7 per cent in 2013. For the most part of 2011 and in the first quarter of 2012 the coal markets have been gradually returning to balance after supply shock and the price hike that resulted from heavy flooding in the Australia in January 2011.

Base metal prices are quite sensitive to the development of world GDP. Most base metal prices declined strongly in the last quarter of 2011. Prices rose distinctly in the first quarter of this year, but turned then on average to decline reacting to worsened worldwide economic outlook. The index for non-ferrous metals is forecast to decrease by 15 per cent in 2012. The price development has been very volatile reacting strongly to news of Chinese demand and European as well as US economy development. The demand growth of industrial countries is important for commodities, but a key is the rate of growth in China. In recent years, it has been the driving force for metals. Rising incomes are followed by the rapid industrialisation. China's GDP-growth will underpin the commodity demand in 2013. Hence, the index for non-ferrous metals will rise by 5 per cent.

The agricultural raw materials will also benefit from the increasing demand coming from the emerging markets and from China in particular. With an increasing living standard in China, people's demand for cars is increasing, which is for example translated into a higher need for natural rubber in wheels. Due to a global supply growth that outpaced that of consumption, rubber prices are expected to fall further significantly in 2012. Although rubber supply is forecast to slow down, prices should come in lower than in 2011 (-17.7 per cent). With the world economy to gradually improve and the high level of oil prices that will translate into synthetic rubber prices, rubber prices should go on rising up to 2013, but at a moderate pace. Cotton prices will also be affected by high synthetic fibres' prices that should boost cotton mill use. Cotton prices should go on declining in 2012 (-36.3 per cent), after the all-time high they reached last season. Ample supplies and declining demand should indeed lead to a significant rebound in stocks. Prices should stabilize in 2013, as production recedes somewhat. In the medium term, also wool prices are expected to stabilise as demand firms up in line with the economic activity.

Wood pulp prices peaked in early summer 2011 and have since declined. As world economy growth and trade is picking up in the second half of 2012 and 2013, pulp prices are expected to increase somewhat further. The prices are, however, not expected to reach the high levels noted in 2011 and, on

average, the price outlook stays rather flat. Sawn wood prices have suffered from weak construction and the outlook is still modest. Next year prices will start to recover weakly (2013: +5.7 per cent) as economic activity is turning stronger.

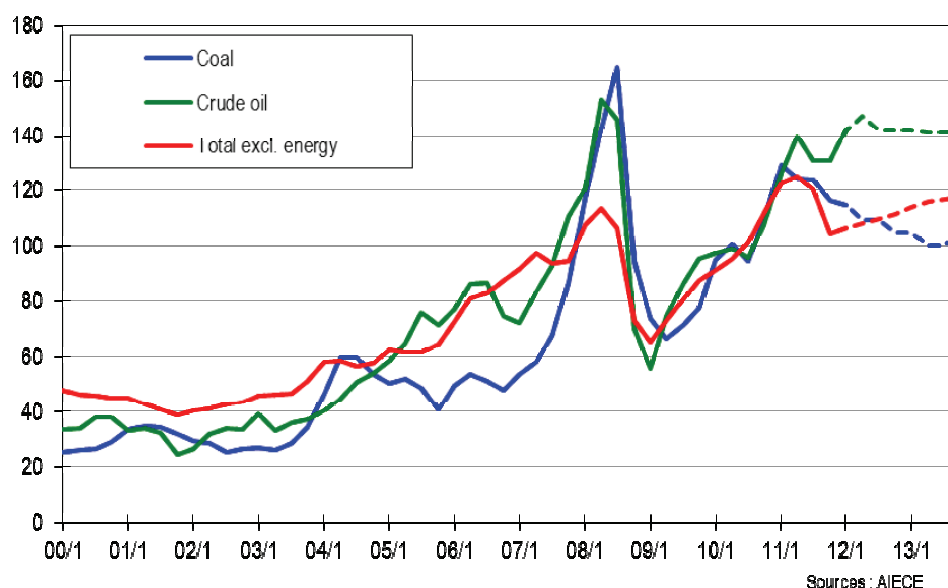
Food prices have been very volatile last year and decreased in the first quarter 2012 due to a better crop outlook. For 2012 it is expected that the index for food total will decline by 6 per cent. On balance, global rice production surpassed consumption for the sixth consecutive year. Furthermore a good wheat harvest and high inventories should put downward pressure on wheat prices over the forecast horizon 2012-13. However, the expected strength of coarse grain prices and higher production costs are likely to limit the downside of wheat prices. The extremely low level of inventories should provide support for corn prices. Hence, food prices mirrored back by the index food total are expected to increase by 6 per cent in 2013. The recent soybean harvest is under risk due to bad weather conditions in South America, which leads to strong soy price increases.

Beverage prices declined generally from the very high level. In April 2011 the composite indicator of the International Coffee Organization (ICO) reached a 34-year high at 230.6 US cents per bushel, while in the first quarter 2012 the coffee price averaged by 181 US cents per bushel. Steadily growing worldwide demand coupled with the short supply of the variety Washed Arabicas in Central America and Colombia, will most probably support prices. After strong price reductions in 2011 it is likely that the cocoa prices will rise in the next two years due to tighter market conditions. But they are likely to remain below the price hike seen the year before, when the prices increased dramatically during the political crisis in the Ivory Coast, which is the biggest producer of cocoa worldwide.

Table 4 Aggregate development 2010-2013				
Commodity indices in US\$ terms	2010	2011	2012	2013
Index values 2010=100 and % change				
All commodities	100	129	135	134
	29	29	5	0
Total excl. energy	100	118	108	115
	30	18	-8	6
Food total	100	129	121	128
	11	29	-6	6
Industrial raw materials	100	114	104	111
	39	14	-9	6
Agricultural raw materials	100	111	98	103
	34	11	-11	4
Non-ferrous metals	100	126	106	112
	21	26	-15	5
Ferrous raw materials	100	125	113	111
	48	25	-10	-1
Energy raw materials*	100	131	142	139
	28	31	8	-2
Crude oil	100	132	143	142
	28	32	9	-1
<i>Memorandum</i>				
Indices in euro terms	2010	2011	2012	2013
All commodities	100	122	137	137
	36	22	12	0
Total excl. energy	100	112	110	117
	37	12	-2	7
Food total	100	123	123	130
	17	23	0	6
Industrial raw materials	100	109	106	113
	47	9	-3	7
Agricultural raw materials	100	105	100	105
	42	5	-5	5
Non-ferrous metals	100	107	105	117
	45	7	-1	11
Ferrous raw materials	100	119	115	113
	57	19	-3	-1
Energy raw materials*	100	125	144	142
	36	25	15	-1
Crude oil	100	125	146	144
	36	25	16	-1
* Steam coal and crude oil				

3.3 Energy raw materials

HWWI index - Quarterly serie and forecasts



3.3.1 Crude Oil

IN BRIEF – In a clearly weakening consumption scenario, and despite a global offer which, amid a myriad of risks, still appears strong enough to keep the oil market balanced, crude oil Brent rose above 125 US-\$/barrel in late February. A price level that apparently is hardly justified by current fundamentals - above all compared to those that lifted the Euro benchmark above 120 US-\$/barrel in early 2011. To be clear, supply risks are a big part of story: output disruptions in Syria and Sudan, Saudi pumping at a record level, Iranian tensions and OECD stocks at five year low certainly contributed fuelling the prices surge. But in 2011 the collapse of Libyan supply deprived the market of a much larger (and of better quality) volume than that currently lost. Moreover, contrary to the relative optimism in vogue last year, we are now faced with a global consumption scenario still full of shadows and substantially poor of bullish elements. A consequence of the OECD business cycle perspectives weakness, clearly witnessed by both the downward revisions that the top agencies (OPEC, IEA and EIA) operates by now on regular basis on the oil consumptions projections for 2012 and the global consumption slowdown observed in the last months. We now expect global oil demand to reach 90 mbd in 2012, an 800 thousand barrel / day, or less than 1 per cent, increase compared to 2011; a volume that, assuming normal conditions, could be easily met by the new projects coming on-stream. These elements lead to look elsewhere, namely in the Middle East geopolitical scenario, to seek what lies behind the recent surge in oil price. Which, in our view, appears affected more by the outcome of a possible military conflict in the Gulf (however a still extreme scenario in our view) in a per-se already risky scenario (OPEC spare capacity is low) than by the consequence for Europe of losing access to Iranian oil.

CONSUMPTION - Global oil consumption slowdown went on in the fourth quarter of 2011, chiefly due to the fall in prods consumption observed in the Euro Big Four (Germany, France, Italy and the UK). According to IEA surveys European demand experienced a massive 4.7 per cent contraction on yearly basis in the fourth quarter of 2011, clearly too large for being uniquely attributed to the thermal anomalies detected in the same period. Indeed, the negative economic cycle suffered by the top European economies left no room for any development in consumption. Both in the industrial component, dearly reacting to lower levels of economic activity, and in the transport segment. According to our macroeconomic projections, we foresee a pursuance of the EU oil demand downward trend in 2012. As regards the United States, the increased use of fuel oil and jet fuel could only partially offset the decline in automotive and industrial consumption in the fourth quarter. End-use destinations still appears weak due to an unfavourable (though improving) economic situation and surging pump prices. 2011 ended with an overall 200,000 barrels / day (-0.8 per cent) drop in OECD-North America demand; January and February preliminary data still displays strong contractions on yearly basis. We expect a substantial stabilization of oil demand in 2012, as the major uses for industrial purposes would offset the weakness in other sectors. Starting by 2013 US demand is expected to recover as macro scenario improves. Consumption development would however be hindered by a mix of wide availability of alternative fuels (shale gas) and more efficient end-use. Overall, the positive contribution of the OECD Pacific (Japan still need to replace the nuclear power plants off line, and South Korea) should offset, albeit partially, the decline in other Advanced Economies. We expect an overall 0.4 per cent decline in OECD consumption (-0.2 million barrels a day) in 2012.

Following a sparkling first quarter (+9 per cent) the signals of a slowdown in economic activity began to hinder the oil consumption growth in China, triggering a heavy braking in the middle months of 2011. However, most recent figures showed a further acceleration in demand in the fourth quarter (+5.5 per cent, equivalent to about half a million barrels / day) albeit the bulk of that increase is largely due to a massive restocking activity (in the same period, half of the crude oil imported has been diverted to strategic stock building). Apart from changes in product pricing policies (Chinese gas price at the pump is set by Beijing authorities), and consistently to our baseline scenario (which anticipates a soft landing of the dragon in 2012), Chinese oil consumption is set to grow 400 thousand barrels per day in 2012, substantially aligned to the past few years trend. The remainder of the forecast horizon (according to the Five-Year Plan program) will be characterized by a continuation of the expansionary path in oil demand, whose slope will however be hampered a) by the efforts targeted to reduce the energy intensity of the Dragon and b) by a car market that is unlikely to experience growth rates comparable to those observed in the last couple of years. Globally, oil demand is expected to reach 90 million barrels / day in 2012, a 0.8 million barrels / day (+0.9 per cent) increase over last year.

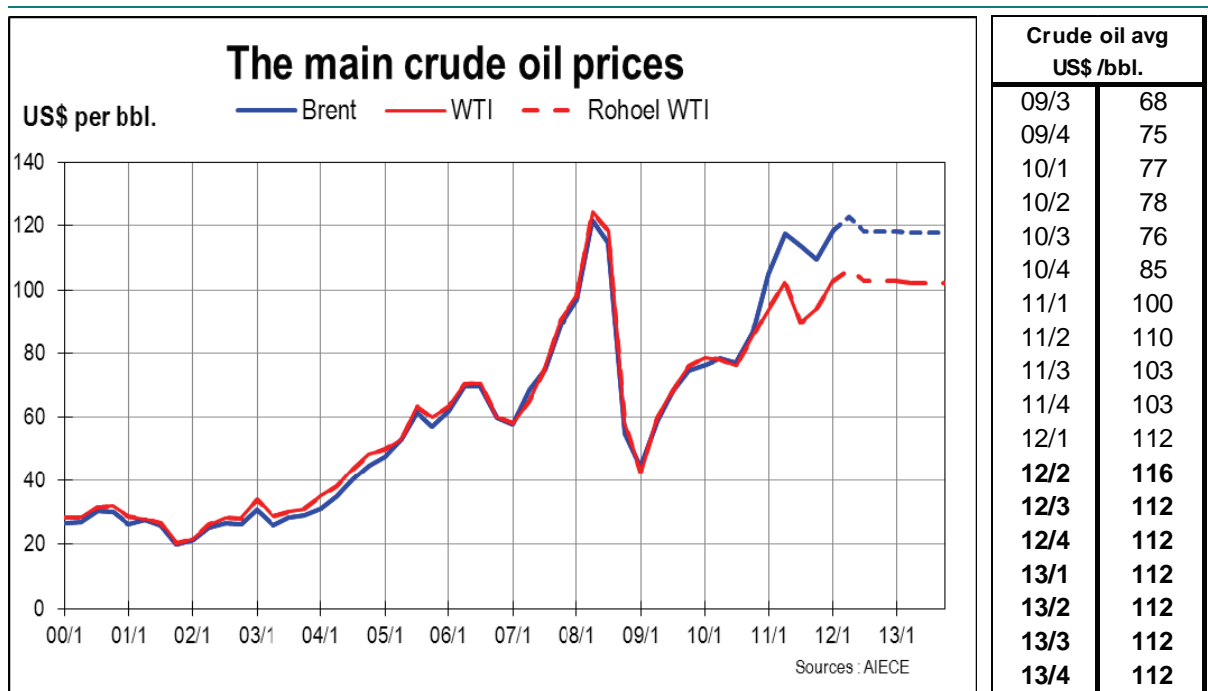
PRODUCTION - The loss of Libyan supply, combined with technical failures and political turmoil in some major producing countries, triggered the global oil supply growth slowdown in 2011. The losses

have been largely offset thanks to the GCC countries combined efforts, as following the disastrous Summer Meeting, led by Saudi Arabia, they have (unilaterally and out of OPEC mandate) increased their own quotas. The new output levels have been subsequently endorsed at the December OPEC Meeting, and the combined target raised to 30 million barrels / day, a level however already yet superseded. Indeed the overall output of the cartel averaged 30.5 million barrels / day level in the fourth quarter (compared to an average of 29.6 million barrels / day in the corresponding of 2010), reaching the 31.3 million barrels / day threshold in February, 2012 (according to Platts) the highest since 2008. Regarding non-OPEC supply, we expect an 1 per cent average annual growth rate in the next two years, owing to the unconventional sources exploitation in United States and Canada. The structural decline of the North Sea fields output is not expected to prevent an increase in Non-OPEC countries aggregate, estimated close to 500 thousand barrels / day. Hypothetically keeping the Saudi production unchanged at current levels, and assuming that the current tensions not to impact on the "real" supply of crude oil, we foresee the 2012 total supply reaching 90.5 million barrels / day (i.e. a 500 thousand barrels surplus). Risks of potential disruption remains however elevated: civil war in Syria, disputes in South Sudan and political in Western Africa countries (namely Nigeria) are among the main sources of concern.

MARKET BALANCE AND PRICES - Speculating that OPEC would keep the current levels production unchanged as prices begin to discount the weakening fundamentals is however unrealistic. We do not foresee Brent to stay well above the 120 US-\$/barrel (and all time record if priced in Euro) for a long time: current and projected end-use demand does not appear strong enough to allow refiners keeping the utilization rate unchanged, as margins in the main refining centers (outside WTI-area) maintain weak. Sooner or later the refining industry would be forced to adjust the supply volumes; that would lower its input demand and –other conditions unchanged- result in a downward correction in prices. At the same time, however, a sharp decline in prices would force an adjustment to OPEC production, aimed to preserve the market balance and –most important- to keep the prices remunerative enough to finance the public spending plans launched during the “Arab Spring”. We do not expect, therefore, neither the disappearance of the tensions that currently weigh on the oil prices movements or a further opening of the taps by the IEA. This move would be difficult to justify, considering the role of Advanced Economies in determining the recent hikes; indeed, SPR are not created to lower prices, but to offset severe and temporary supply interruptions (and OECD countries are not currently facing this kind of problem). Anyway, a verbal talking for unilaterally tapping the Strategic Petroleum Reserve among United States, UK and France has been recently confirmed. However, is not clear the volume of the possible release, nor whether a stock release would result effective in damping price, considering the little impact that 2011 oil release (to make up the Libyan loss) has had on crude quotes. Moreover, European stocks are at 15 years low and global stocks below the 5 years average: as the global economy is at the early stage of a (weak) cyclical upturn, that means the further releases would, sooner or later, result in a refilling of the tanks, to avoid facing the burden

of potential supply disruption during the early months of recovery. Therefore, we don't expect oil stock release would necessary result price-neutral, and even less a panacea for high oil price. According to our baseline scenario, global oil market is projected in a slight surplus in the current year; we then expect a light rebuild in OECD stocks, as Libyan production returns (according to Reuters Libyan Noc projects to fully restore pre-war level by April, 2012) and weakness in Advanced Economies consumption growth rate persists. Nonetheless, geopolitical tensions and uncertainties about global supply picture will keep exerting an upward pressure on prices in the first half of 2012. Indeed, despite the reassurance of Saudi leaders, Opec low spare capacity (currently at 2.5 mbd) does not provide much room for any unilateral intervention, magnifying the impact of any further supply disruption (real or, as we recently saw with the fake news of a Saudi pipeline blast, supposed). We expect Brent to average somewhere between 115 and 120 US-\$/barrel in 2012 even though that OPEC and non-OPEC supply efforts, albeit in a better economic scenario, should maintain and probably enhance the global surplus in 2013; we then expect prices will struggle to stay above 120 US-\$ in 2013.

Global Oil Balance	2010	2011	2012	2013
World Oil Demand (mln. barrels/day)	88,4	89,1	89,8	90,8
<i>var.%</i>		0,8	0,8	1,1
- non-Opec Supply (mln. barrels/day)	52,6	52,7	53,6	54,2
- GNL	5,3	5,8	6,1	6,3
= Call on Opec	30,5	30,6	30,2	30,3
Opec supply (mln barrels/day)	29,5	30	30,3	30,5
Global Oil Supply (mln barrels/day)	87,4	88,5	90	91
<i>var.%</i>		1,3	1,6	1,2
Balance (stocks and misc.)	-1	-0,6	0,2	0,3
World GDP (var.%)	5,2	3,7	3,3	3,8
World Industrial Production (var.%)	9,7	6,1	4,1	5,2
<i>sources: Platts, IEA, Opec, EIA, prometeia</i>				



Box.2. Iran and the oil market

By Leon Leschus, HWWI

The Iran announced that it would close the Strait of Hormuz, if being military attacked by western countries due to its nuclear program. This would bring the majority of oil exports from Gulf producers like Saudi Arabia, Kuwait and Iraq to a halt. 17 million barrels of oil per day are shipped in supertankers through the Strait of Hormuz, which accounts for around 20 per cent of the global oil demand. Thus, the Strait of Hormuz is the world's busiest oil chokepoint. A closure of the Strait, that is 280 km long and 50 km wide at its narrowest point, would have a drastic effect on the global oil market. Most analysts have the opinion that any closure by Iran would only be short term and it is seen as unlikely that the Iran would do such a drastic step. Furthermore, the Strait is a key lifeline for Iran itself since nearly all its exports and a significant portion of its imports are shipped by sea. In the last days the oil price retreated 2-3 US-Dollars due to planned talks between Iran and western countries about the nuclear program and the connected hope that the confliced could be solved peacefully without a military conflict around the Strait of Hormuz.



In July 2012 the import ban of Iranian oil to the European Union (EU) comes into force. In February the EU decided to have this long lead time in order to facilitate member states to substitute their Iranian oil imports. Germany, France and the UK imported only little quantities of oil from Iran, but countries from around the Mediterranean Sea like Greece, Italy and Spain relied more significantly on Iranian oil imports. At April, 10th, Iran's oil minister announced the Iran stopped oil sales to Greece and cut also oil supply to Spain. That move has to be seen as a pre-emptive retaliation over the EU-oil-embargo. The great question will be how the international oil market copes with a drop of Iranian oil imports.

The European embargo, which aims at cutting off the Iranian government from oil-revenues, could only be successful if the Iran can not find other buyers for its oil. But it seems that this will be the case. China hasn't increased its Iranian oil imports and the big Chinese insurance company China P&I Club announced that it would not insure Iranian oil cargos. However, insurance of cargo and security of payment, being mutually dependent, are very important for the shipment of import and export goods. For example, during the banking crisis worldwide shipments declined heavily, because many banks didn't want to secure payments. The same is very likely to apply now to Chinese oil imports due to lacking insurance. Without insurance the risk of loss for Chinese logistic companies is too high in the transport of Iranian oil. As a result, Iran had already to reduce its oil exports to slightly over 2 million barrel oil per day. In total, Iran produces around 4 million barrel oil per day but needs a lot for its own economy, which has a very low oil efficiency due to squandering. In the 1970s Iran produced over 6 million barrel oil per day and aimed to surpass the 4.5 m b/d in 2010. Now the country struggles to stay at the level of 4 m b/d. According to the International Energy Agency its oil production has fallen to a 10 year low and warned it could drop to 2.5 m b/d in summer 2012 and oil

exports could be curtailed by around 800.000 to 1 m b/d, which is around a third of the current total amount. This decrease in oil production is the result of diplomatic isolation by the international community in order to avoid the nuclear armament of the country. Furthermore, the sanctions reduced largely foreign investments in oil production and exploration.

To fill the Iranian gap Saudi Arabia increased strongly its oil production to a thirty year high. Recently the OPEC produces over 31 million barrel oil per day. That is more than the production-ceiling of 30 million/bpd, which the OPEC members agreed on at their last meeting in Viena last December. Saudi Arabias production increase could shade the relationship between the country and Iran in the OPEC and makes it more difficult at the next OPEC meeting to find a jointly result. Especially because the fact that Iran threatened Saudi Arabia not to increase its oil production. But the kingdom is afraid of too high oil prices, which would harm the world-economy and reduce hence oil demand. New social spending programs in the wake of the Arab Spring, however, make substantial revenues from oil sales indispensable.

3.3.2 Steam and Coking Coal

For the most part of 2011 and in the first quarter of 2012 the coal markets have been gradually returning to balance after supply shock and the price hike that resulted from heavy flooding in the Australian Queensland in the turn of 2010/11.

At the market of coking coal that proved particularly affected by export disruptions, the reference contract price (in deliveries from Australia to the Japanese steel mills) jumped from 225 US-\$/mt in the first quarter of 2011 to 330 US-\$/mt in the second quarter (by 47 per cent) and then fell back to 235 US-\$/mt in the first quarter of 2012 and to 206 US-\$/mt in recently concluded contract negotiations for the second quarter of this year (i.e. 38 per cent below last year's peak). Steam coal price quotations followed the same path though at more subdued rates. The price of Australian steam coal increased from 94.8 US-\$/mt in September 2010 to 129.7 US-\$/mt in January 2011 (by 37 per cent) and then declined to 107.7 US-\$/mt at the beginning of March 2012 (by 17 per cent); the corresponding price rise for South African coal reached 44 per cent and was followed by 16 per cent fall.

The signs of oversupply that recently appeared on both markets would probably strengthen in the coming months. However, the room for further major price cuts seems limited in view of demand outlook and cost conditions. Next year a modest recovery in coal prices could be awaited in line with expected improvement in global macro-economic situation.

The turnaround in the market balance reflected a substantial slowdown in global demand for imported coal coupled with rising availability of export supplies.

According to calculations based on the figures released by the Australian Bureau of Resources and Energy Economics (BREE), the growth rate of the world coal trade volume decreased from 12.9 per cent in 2010 to 3.7 per cent last year. Coking coal trade that soared by 24 per cent two years

ago showed a marginal decline (by 0.7 per cent) in 2011, while the growth rate of internationally traded steam coal almost halved, from 9.5 per cent to 5.3 per cent respectively. The results reflected poorer performance of the two main coal importers – China and Japan.

Slower growth in coal import demand was reported from China as a consequence of lower economic growth and industrial production slowdown together with increased utilization of hydro electricity and rising price competitiveness of domestic coal. After the hike by a 40 per cent for both steam and coking coal in 2010, the Chinese steam coal imports increased by 7.8 per cent last year, and the imports of coking coal declined by 4.2 per cent. In Japan, the damages to coal-fired power plants, steel mills and transport infrastructure after the March 11 earthquake resulted in a fall in steam coal imports by 3.1 per cent and that of coking coal by 5.2 per cent last year.

On the other hand, still strong import performance was reported from India, which increased its steam coal imports by 30 per cent; the rise in coking coal imports reached 6.7 per cent. A recovery was also observed in the European import demand. Rebuilding of coal stocks, disruptions to the gas deliveries from the North Sea and higher electricity usage underpinned a substantial rise in steam coal imports to the UK and Germany. The EU-27 steam coal imports increased by a healthy 7.4 cent last year (after a fall by 12 per cent two years ago), and the imports of coking coal rose by 2.2 per cent in 2011.

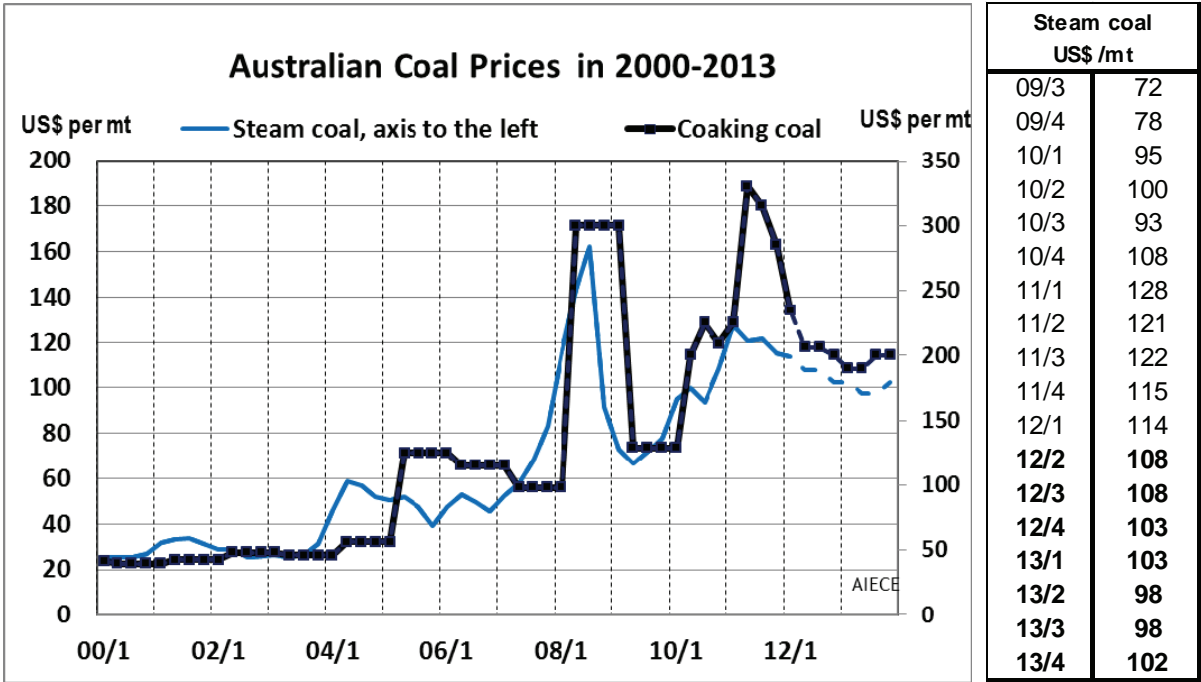
The BREE projections indicate a modest growth in the world coal imports for the forecasted period of 2012 and 2013, by a 5-5.5 per cent annually. The rise would still stem mainly from China and India. Though the both countries possess vast coal resources and are among the biggest coal producers in the world, the domestic coal is of relatively poor quality (especially in India) and mining areas are distant from the main regions of coal consumption, which generates the barriers of transport infrastructure and high transportation costs. However, the growth rate in the Chinese steam coal imports would remain one-digit in 2012 and 2013; higher rise could be expected in India. The demand for imported coal in Japan and Europe would increase at subdued rates due to expected relatively low levels of economic activity as well as structural reasons.

On supply side, the Australian deliveries have already regained their normal levels (i.e. from before the flooding), though production losses at the beginning of last year resulted in a substantial cut in yearly coking coal exports (by 16.4 per cent in 2011) and only modest rise in the exports of steam coal (by 5 per cent). Major additions to mine and infrastructure capacities from recently completed projects and the projects scheduled for completion would stimulate rapid growth in coal export potential of this country in the forecasted period. The rise in steam coal exports could be also expected from its other main suppliers to the international market like Indonesia, Colombia, South Africa and Russia, while the rise in the exports of coking coal, in addition to Australia - from Canada and Russia.

Still more active are the newcomers to the market – Mozambique and Mongolia. In Mozambique, the annual production capacities of recently completed Vale's Moatize project and Rio Tinto's Riversdale (scheduled for completion in 2012) total 13.4 mt, of which over 10 mt of coking coal. The deliveries of coking coal from Mongolia are of crucial importance for the Chinese plans to locate new steel

production capacities mainly in western regions, in line with general urbanization and industrialization strategies of the government. According to HSBC, Mongolian coking coal exports to China rose 37 per cent year-on-year to 17.5 mt in January-November 2011, and are expected to reach 28 mt this year.

In view of supply outlook, the global export potential should be at least adequate to meet expected modest rise in the world import demand, which would indicate further downward pressure on prices of internationally traded coal in the forecasted period. However, the scale of possible price cuts would be limited by an upward trend in production costs underpinned by high capital outlays on new projects together with rising costs of production inputs. Recent estimates place the marginal costs of coking coal production at 150-160 US-\$/mt, which limits the chance for a sustained price fall substantially below its current level of a 200 US-\$/mt.



According to the AIECE forecast, despite the projected decrease in 2012 and 2013 the prices of both steam and coking coal would remain relatively high, similar to noted just before their last hike in the turn of 2010/11.

3.3.3 Natural gas

Following a 7.6 per cent increase in 2010, apparent or gross consumption (indigenous production plus imports minus exports and changes in stocks) of natural gas in OECD Europe was down by 10 per cent in 2011 to the lowest level since 2003 due to weak economic growth combined with mild winter weather in January and February. Indigenous production fell by 7.5 per cent, imports only by 2.1 per cent, whereas exports grew by 2.5 per cent.

In spite of weak demand, the Western European monthly average import price of natural gas grew by 26 per cent in 2011 mainly because of the rise of crude oil prices. The price of a large amount of

natural gas is linked to crude oil prices in one way or another. Nevertheless, in the winter of 2012 record simultaneous storage withdrawals took place in several countries of OECD Europe. As a result of this, European spot natural gas prices jumped above oil-linked contract ones. Once milder weather set in and storage withdrawals slowed in February, natural gas prices decreased. Despite that cold spike, natural gas inventories are still at relatively comfortable levels across OECD Europe.

Although the outlook for gas consumption is relatively weak, European spot natural gas prices will likely remain supported in 2012 by several factors.

First, indigenous European production is declining rapidly. One of the consequences of this decrease is the rise of the need for marginal supply sources such as LNG.

Second, with Asian demand surging mainly because of the aftermath of the tsunami and the nuclear catastrophe that took place in Japan last year, natural gas prices in OECD Europe will have to grow to compensate for the on-going shift of LNG deliveries to Asia.

Third, increasing oil prices are providing support to oil-indexed contract prices.

Fourth, natural gas prices through oil prices will be shaped to a large extent by geopolitical tensions in North Africa and the Middle East. The major political uncertainty is Iran that is under an oil embargo and it is frequently threatening the West by the closure of the Strait of Hormuz. A disruption in the Strait of Hormuz would have a grievous impact on the global LNG market since the Strait of Hormuz is the only route of LNG from Qatar and the United Arab Emirates accounting for some one third of global supply. This geopolitical factor certainly keeps upward pressure on spot LNG prices.

With domestic gas production falling, OECD Europe has become more dependent on LNG. This marginal source of gas supply for OECD Europe is now also contracting particularly if none of Japan's nuclear power plants are re-started this year. The on-going tightening in the global LNG market could translate into higher winter gas prices.

In the light of the underlying economic fundamentals and geopolitical factors in North Africa and the Middle East, as well as the expected slowdown of GDP growth in the EU in general and the mild recession in the Economic and Monetary Union in particular, the Western European average import price of natural gas is projected to increase gradually by 3 per cent in the second and third quarter of 2012 each and by another 6 per cent in the fourth one. The year-on-year rate of growth of imported natural gas price is expected to total 12 per cent in 2012.

As far as price trends in 2013 are concerned, a 7 per cent increase is expected quarter-on-quarter in the first quarter mainly for seasonal reasons, followed by 2 and 3 per cent price decreases in the second and the third quarters and a 2 per cent increase in the fourth one. As a consequence of this a 7 per cent price increase is projected year-on-year in 2013.

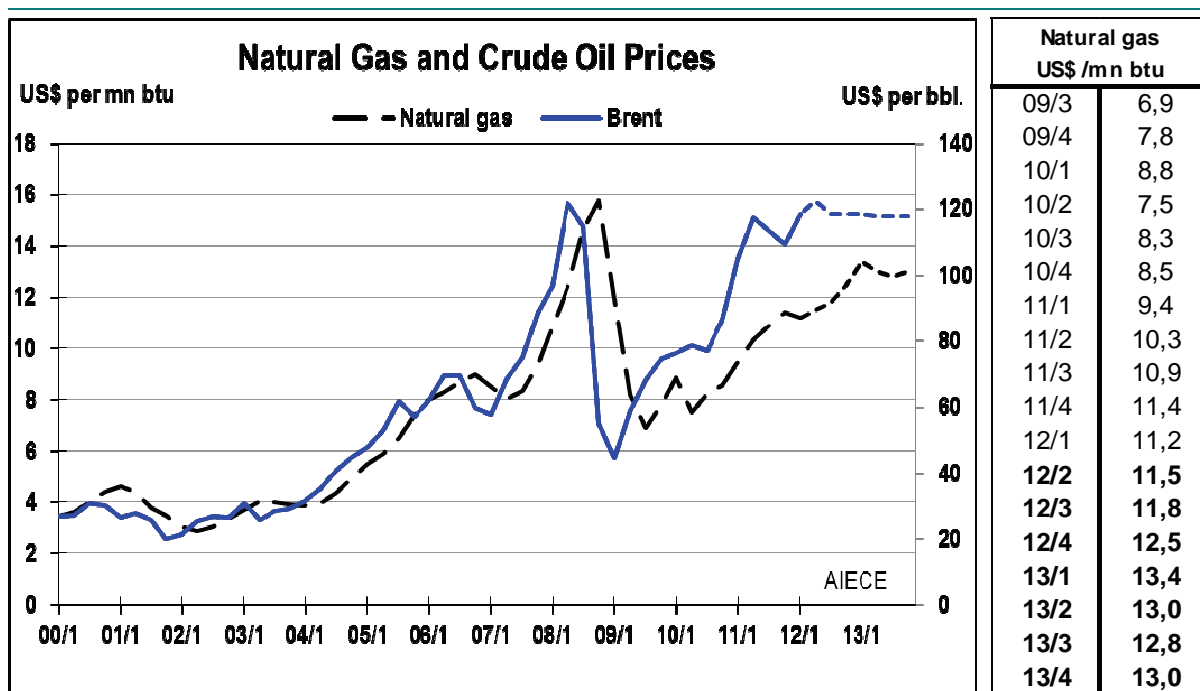
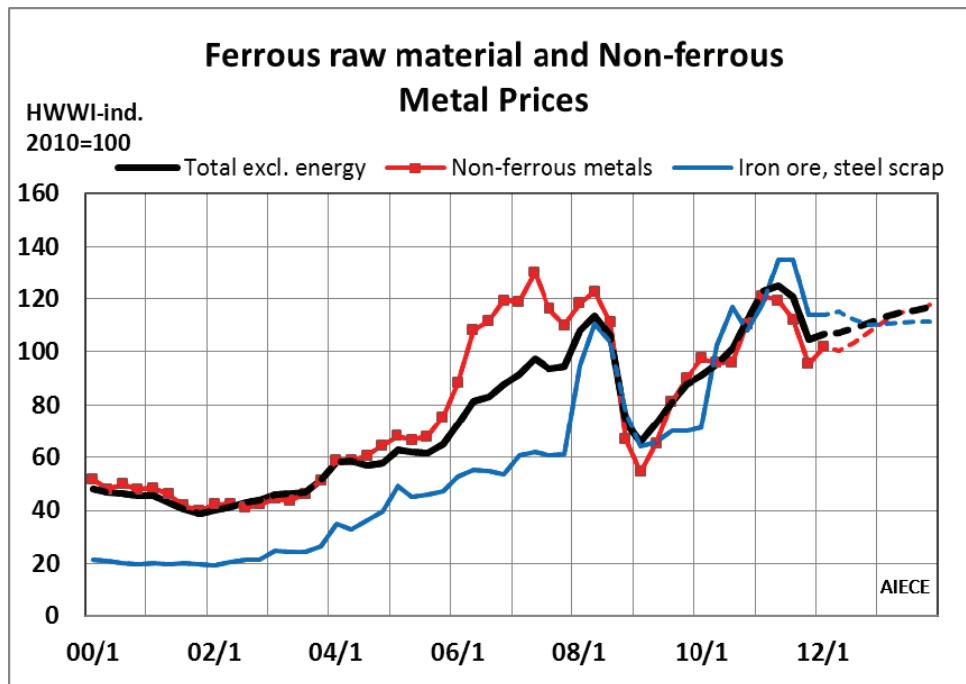


Table 5 Energy raw materials (US\$ terms)

Commodity	11/1	11/2	11/3	11/4	12/1	12/2	12/3	12/4	13/1	13/2	13/3	13/4	2010	2011	2012	2013
Energy raw materials*	126	139	131	130	141	145	140	140	140	139	139	139	100	131	142	139
	<i>17</i>	<i>10</i>	<i>-6</i>	<i>0</i>	<i>8</i>	<i>3</i>	<i>-3</i>	<i>0</i>	<i>0</i>	<i>-1</i>	<i>0</i>	<i>0</i>	<i>28</i>	<i>31</i>	<i>8</i>	<i>-2</i>
Crude oil	126	139	131	131	142	147	142	142	142	141	141	141	100	132	143	142
	<i>17</i>	<i>10</i>	<i>-6</i>	<i>0</i>	<i>9</i>	<i>4</i>	<i>-4</i>	<i>0</i>	<i>0</i>	<i>-1</i>	<i>0</i>	<i>0</i>	<i>28</i>	<i>32</i>	<i>9</i>	<i>-1</i>
Steam coal	129	124	124	116	115	110	110	105	105	100	100	105	100	123	110	102
	<i>18</i>	<i>-4</i>	<i>0</i>	<i>-6</i>	<i>-1</i>	<i>-5</i>	<i>0</i>	<i>-4</i>	<i>0</i>	<i>-4</i>	<i>0</i>	<i>4</i>	<i>38</i>	<i>23</i>	<i>-11</i>	<i>-7</i>
Coking coal	118	173	165	149	123	108	108	105	100	100	105	105	100	151	111	102
	<i>8</i>	<i>47</i>	<i>-5</i>	<i>-10</i>	<i>-18</i>	<i>-12</i>	<i>0</i>	<i>-3</i>	<i>-5</i>	<i>0</i>	<i>5</i>	<i>0</i>	<i>-72</i>	<i>51</i>	<i>-27</i>	<i>-8</i>
Natural gas	114	124	131	137	135	138	142	150	161	156	154	156	100	126	141	157
	<i>11</i>	<i>9</i>	<i>6</i>	<i>5</i>	<i>-2</i>	<i>3</i>	<i>3</i>	<i>6</i>	<i>7</i>	<i>-3</i>	<i>-2</i>	<i>2</i>	<i>-5</i>	<i>26</i>	<i>12</i>	<i>11</i>

* Crude oil and steam coal only

3.4 Metals and minerals



3.4.1 Non-Ferrous metals

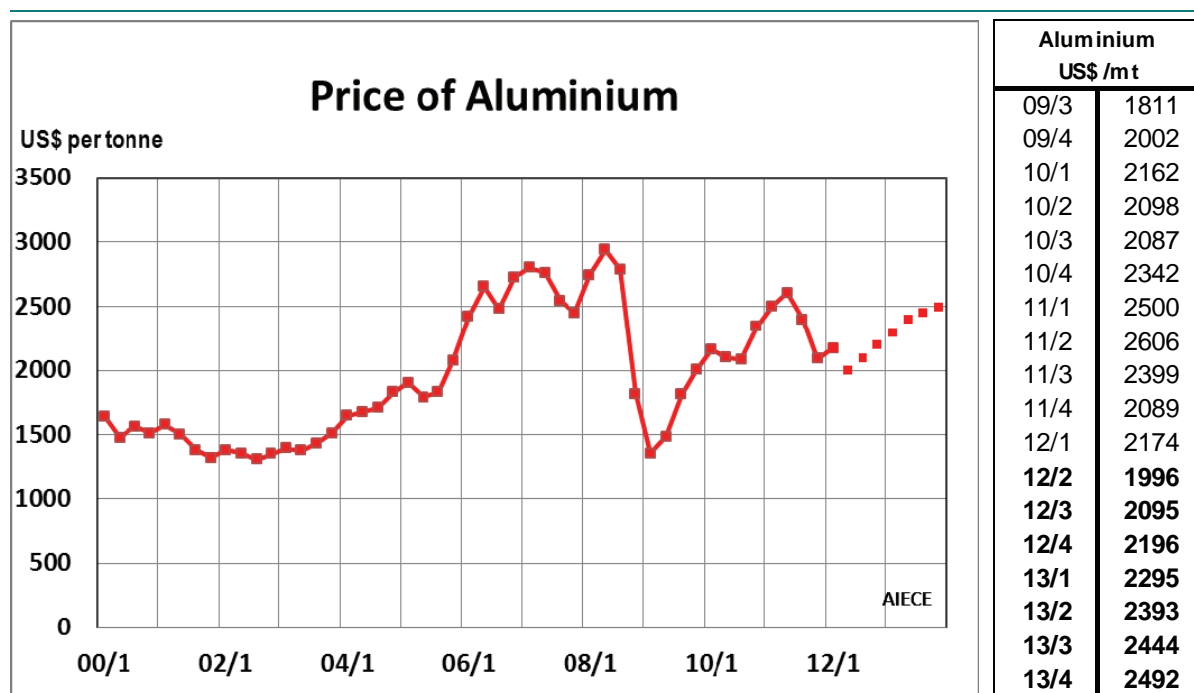
Aluminium

The price of aluminium was 2184 US-\$/ton on the LME on March (2588 US-\$/ton on the SHFE), i.e. up by 200 US-\$/ton in one month. It would seem that the market expects U.S. growth to pick up, since this increase is inconsistent with the increase in LME inventories to an all-time high of 5 million tonnes, i.e. 11 per cent of 2011 global production. Production increased by 7 per cent in 2011, including:

- Gulf countries + 27 per cent,
- China +10 per cent,
- Europe +6 per cent, in particular thanks to H1 growth.

Demand was strong at the beginning of the year, but the fall in automobile and construction production in Western countries reduced this growth at the end of the year. The price of alumina in 2011 declined to 380 US-\$/ton on average. The mining group Rio Tinto has decided to dispose of certain alumina and aluminium production units in France.

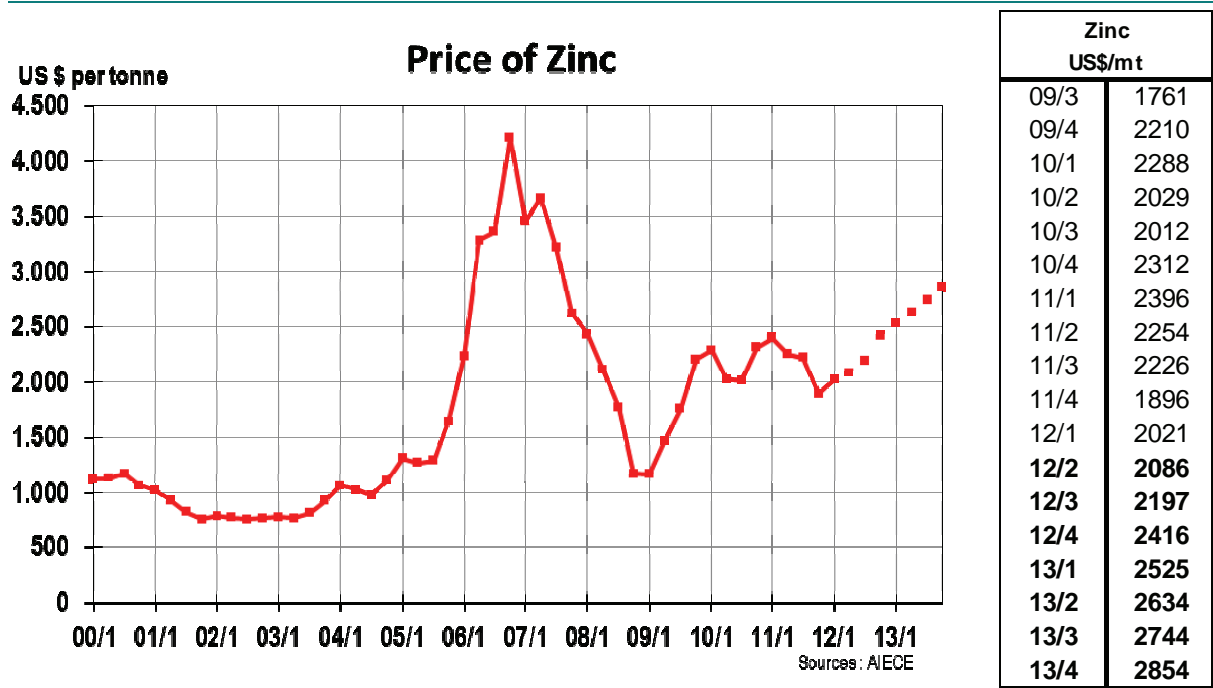
New production capacity will be launched in India, the Middle-East and China in 2012. As a result production should increase by 8 per cent. Demand will also grow, but to a lesser extent, in particular as a result of European weakness and the Chinese automobile policy. Finally, large inventories are likely to lead to weaker prices if traders are pricing-in a US pickup. China's restrictive policy as regards its production capacity and the increase in its costs (FX, energy and wages) should eventually make China a net importer of aluminium.



Zinc

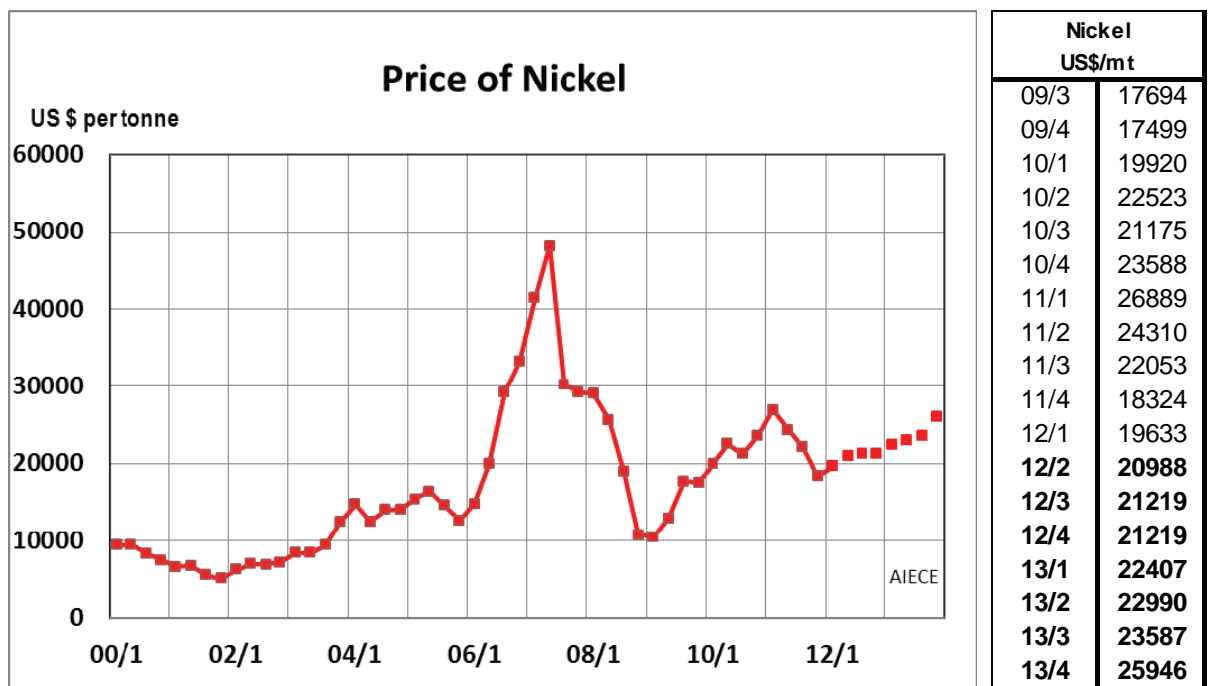
Zinc was trading at around 2,000 US-\$/ton on March on the LME (2,500 US-\$/ton on the SHFE). LME inventories remain very high at more than 780 Kt. This high level of inventories is due to an increase in production in 2011 (+2.1 per cent) which outstripped demand (+1.3 per cent). New capacity was commissioned in 2011 in India, Canada, etc. China remains the largest consumer of zinc (44 per cent of world demand, i.e. 5.5 mt) for zinc plated steel sheets for car making (75 per cent of demand). The world's leading zinc producer is XStrata which produces one million tonnes, i.e. a market share of 8 per cent. One million tonnes is also the production level that India will reach in 2012.

In 2012 we expect demand to grow more strongly (estimated growth rate of 4 per cent) than in 2011 because of the US recovery and Japanese consumption. The new capacity installed in 2011 will meet this demand, but no strong increase in capacity is planned. All in all, the gap between supply and demand will be absorbed during the year with the mobilisation of inventories, with the balance remaining positive at the end of 2012 (excess metal). Competition between physical and paper purchases will emerge during this period, with a recovery of prices in 2013.



Nickel

The price of nickel was 18,660 US-\$/ton on March. Inventories have fallen regularly since the beginning of 2011. The production of stainless steel, more than two-thirds of the utilisation of nickel, was dynamic in 2011 and consumed part of the supply, while new capacity was deployed in Brazil. In total, in 2011, production exceeded demand since it was particularly dynamic (+11 per cent), which helped to keep prices at moderate levels in comparison with the highs reached in recent years. Some production sites have been producing at a loss.



Chinese demand remains strong and is increasing despite the slowdown in the automobile and construction sectors (approximately 30 per cent of consumption of nickel stainless steel with nickel) because of household equipment (1/3 of consumption also). U.S. demand is expected to increase slightly in 2012 driven by the automobile and construction sectors, while demand in Europe is likely to fall in H1. In 2012, excess production should help to keep prices stable or push them down at the beginning of the year, but then prices are likely to increase gradually while additional capacity commissioned in 2012 is likely to be less than in 2011.

Lead

The spot price of lead was 2,076 US-\$/ton on March at the LME (2,540 US-\$/ton at the SHFE). Inventories were at a record high of 52 KT. This significant increase in inventories can be explained by a 9 per cent increase in mining production and an 8 per cent increase in metal production in 2011, while demand grew by only 7 per cent. This gap generated a positive balance of more than 160 Kt. The shift in Chinese industrial policy in the automobile and urban transport sectors has reduced demand for lead batteries, but other emerging economies remain very dynamic, in particular Russia and India. For the record, China has imposed upstream anti-pollution measures which will lead by 2013 to the closure of hundreds of lead battery manufacturing facilities (1930 sites closed, suspended). Global demand for vehicles is expected to increase by more than 6 per cent in 2012 and 2013, taking account of the automobile policy change in China. It is difficult to say at this stage whether the closure of capacity in 2012/2013 in China will offset the slowdown in the increase in registrations in China and the dynamism of new registrations in the other BRIC countries. In the meantime, world inventories will be consumed and this will certainly be the indicator which will measure the impact of is change. In the short term, prices are likely to rise again in line with increasing demand.



Lead US\$/mt	
09/3	1931
09/4	2291
10/1	2224
10/2	1954
10/3	2031
10/4	2387
11/1	2603
11/2	2559
11/3	2462
11/4	1982
12/1	2091
12/2	2288
12/3	2517
12/4	2859
13/1	2745
13/2	2860
13/3	2860
13/4	2975

Copper

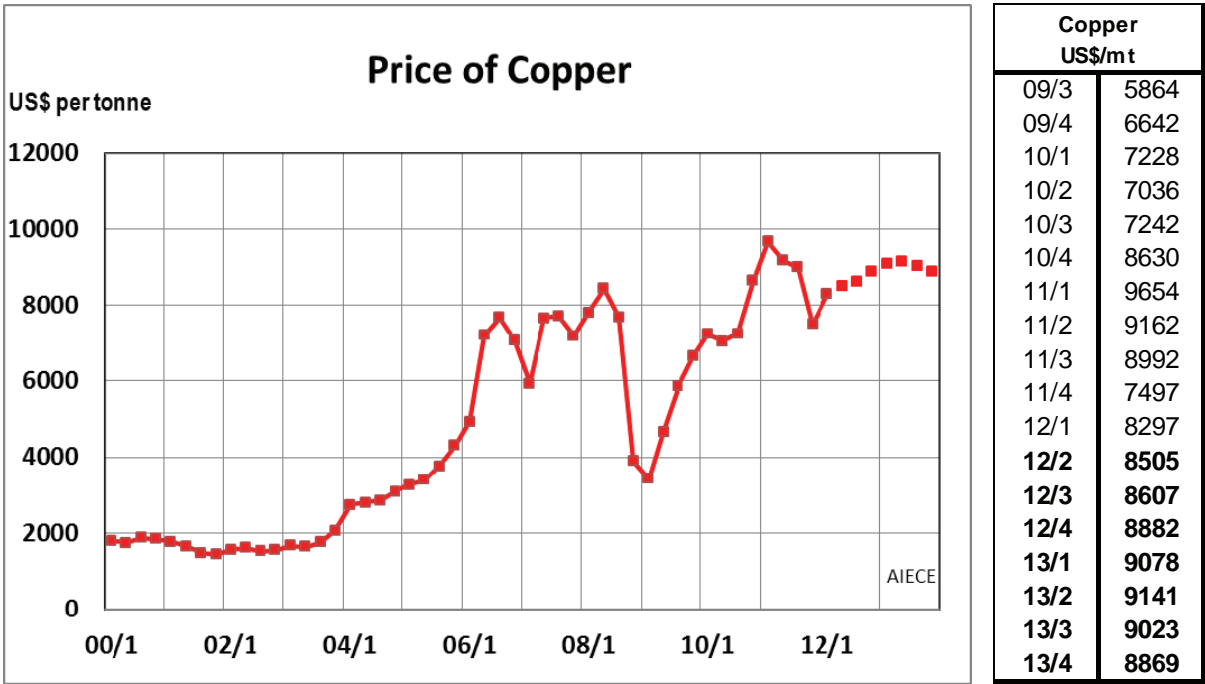
Copper averaged around 9300 US-\$/ton in the first 9 months of 2011, more than 30 per cent higher than in the same period in 2010. Price growth was particularly intense in the early part of the year, as a combination of technical failures in some of the main mining sites, and rising global consumption pushed prices above 10 thousand US-\$/ton; prices then fluctuated around 9,000 US-\$/ton for much of the summer. Situation, however, radically changed in early autumn. The intensification of European crisis, combined with a sharp slowdown in Chinese industrial production, triggered a sharp sell-off which ended in a price collapse: the red metal has been traded slightly above 7300 US-\$/ton in October. Apparently attracted by historically low price level, Chinese buyers suddenly reappeared on the market, starting the restocking process postponed many times in 2011. Refined copper imports to China hit a record in December 2011: underpinned by internal demand, prices thus fluctuated between 7,500 and 8,000 US-\$/ton for most of the quarter, and finally returned above 8,000 US-\$/ton in the first quarter of 2012.

On the demand side, the big question is now whether this strong Chinese import trend will keep intact in 2012. We don't think so; first of all a large part of late 2011 and early 2012 imports were diverted to warehouse, and then its increase tend to overestimate the actual magnitude of Chinese demand; furthermore, our assumptions are pointed towards a slowdown in Chinese input demand from the construction sector over the next two years. Overall consumption growth rate is then expected to break towards 6 per cent (a 2 percentage points reduction compared to 2011) and keep this pace of growth for much of the forecast horizon. That means that import growth rates observed between 2011 and early 2012 are intended to slow in the coming months. As for the Advanced Economies, we expect that the overall contribution to the global consumption growth will remain contained. Our macro outlook for Europe anticipates a further contraction for semi-finished products demand in 2012, followed by a general stabilization in 2013; U.S. consumption should generally prove more toned, although not enough to ensure a solid contribution to OECD demand growth (U.S. consumption is about half of the European). It will then be largely dependent on China, if overall consumption of copper will keep an annualized 4 per cent growth rate along the forecast horizon.

It will instead be dependent on South American suppliers whether the global copper output will offset or not the expected growth in consumption. Technical problems and strikes that hit major mines were a constant theme in 2011. However, as many of the risks that affected the past year production is behind, 2012 should show a recovery of the global ore production. Capacity expansion in existing plants in Peru (Antamina, + 100 thousand tons in 2012 - '13) and Chile (Escondida, Andina, Candelaria, Los Bronces and Esperanza, for a total of +400 thousand tons of additional capacity in the next two years), resolution of work-related conflicts in the Chilean mines, combined with progresses in African fields exploitation should, in fact, more than offset the expected decline in Indonesian production. Globally, our forecast for ore supply is to increase around 5 per cent in the coming two years. Unfortunately, we do not expect that progress on refining will replicate the same intensity that

we expect to observe in mining. Indeed, structural fall in global ore concentration degree should keep the global cathode supply growth rate below 4 per cent.

Therefore, according to our estimates on global supply growth – and despite a slowing demand scenario- we continue to envisage a tight market, and a third consecutive year of deficit for copper. For these reasons, even if the current prices appear as a consequence of a temporary situation (Chinese restocking) we don't expect a strong retrenchment from current values.



Tin

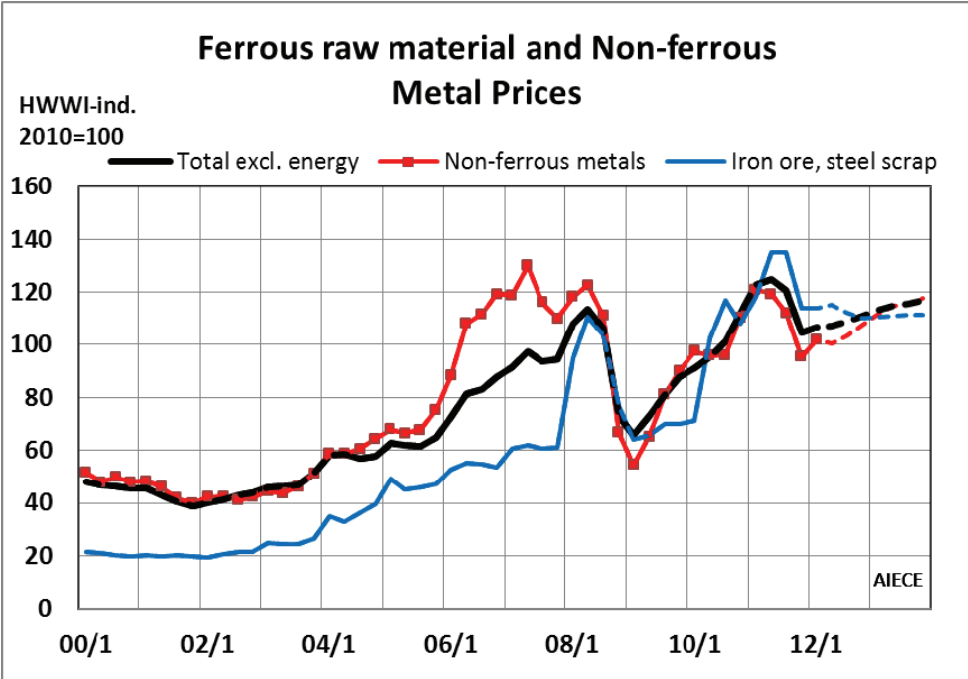
The 16 per cent reduction in tin prices observed in the last quarter of 2011 had its origin in a marked slowdown of global demand. In particular, during the second half of the year a decisive role was played by the decrease in sales of global semiconductors, which account for about 55 per cent of total tin use, with a particularly pronounced weakness in Europe. Furthermore, recent data suggest that in China, the largest tin market in the world, production of some major home appliances (air conditioners and washing machines) and electronic goods (mobile phones and PCs) slowed towards the end of 2011, negatively affecting tin consumption dynamics.

Though global tin demand will slight recover during 2012 (+1 per cent), we expect that some critical factors on the supply side will exert upward pressure on prices, as shown by the recent increases in the first months of the year. The prospects for a new market deficit, strongly influenced by the negative outlook for the Indonesian output (-1 per cent) , and the fall of global stocks to the lowest level in the last three years (down to 10 thousand tons in February, from 20 thousand in September 2011) have pushed prices far above the 20,000 US\$/ton threshold. Moreover, due to the negative impact of monsoon rains on mining activity, during the first quarter the Indonesian production activity has faced

additional difficulties in maintaining an adequate pace of growth: this could imply a reduction of around 10 per cent of exports in the coming months, with a considerable impact on international procurements considering that Indonesian exports account for about 40 per cent of the global tin trade. Despite output will remain high in China (around 150 thousand tonnes) and keep on growing at a faster rate in South America (in particular in Brazil, +40 per cent, to 12.5 thousand tonnes), world tin supply is expected to increase only by 2 per cent, thus implying a new market deficit (around 13 thousand tonnes).

Hence, even if the average annual price for 2012, after the recent sharp decreases, will be 9 per cent lower than 2011 price, due to market tightness we anticipate some upward pressure on a quarterly basis, though not particularly strong. The effective completion of production capacity expansion in some mines in Indonesia, Brazil, Argentina, Bolivia and Australia will contribute to close the market deficit only after 2013. However, we forecast tin prices to start pulling back in the second half of 2013, as the market gradually moves back to surplus.

3.4.2 Steel and ferrous steel raw materials



Steel

World crude steel production increased by 6.8 per cent in 2011 after a 15 per cent growth in 2010 according to the World Steel Association. Rather strong growth figure is hiding the slowdown during the year. The growth in the 59 reporting countries was 7.7 per cent in the first half of 2011 following a growth of 6.2 per cent in the second half. In January 2012 world steel production was 7.8 per cent lower than a year earlier.

Steel production in the U.S., EU, South Korea and Turkey, grew by 7.1, 2.8, 16.2 and 17 per cent respectively in 2011. The Japanese production declined by 1.8 per cent due to triple catastrophe in March, though it was followed by a reconstruction. However, it is China with 45.5 per cent world production share, which dominates the steel production development. In 2011 the Chinese steel production grew by 8.9 per cent, but in January 2012 production was 13 per cent lower than January 2011.

The growth of production in China is obviously in decline, but the y/y decline in the winter is probably reflecting partly temporary demand factors, e.g., the halt in the recent years' property boom. Declining housing prices indicate cooler steel-intensive construction. However, on the other hand the Government target rising social housing for the pressing needs due to the urbanisation.

The shining years of steel producers turned in the recession in winter 2008/9 as demand collapsed. The capacity investments were planned during the rapid debt-driven demand growth and as a consequence, a significant overcapacity was revealed especially in the developed countries. The global steel capacity utilization was close to 70 per cent in winter 2011/12 compared to more than 90 per cent in spring 2008. The OECD Steel Committee estimates 500 million metric ton gap between capacity and demand in 2012.

The growth of steel production will decline in 2012 due to stagnant winter production, but it is expected to recover during the year. China is changing from a net importer of steel to net exporter due to large capacity increases and dampening growth of the steel use. The momentum of production and use of steel in China continues dominating steel markets.

According to the calculations of the group, the level of steel production will achieve a new record of 1560 million tonnes led by China this year although the growth moderated in the winter. The activity continues, rather strong also in 2012 producing another record of over 1600 million tonnes. Steel production will grow in 2012-13 this year about 5 per cent

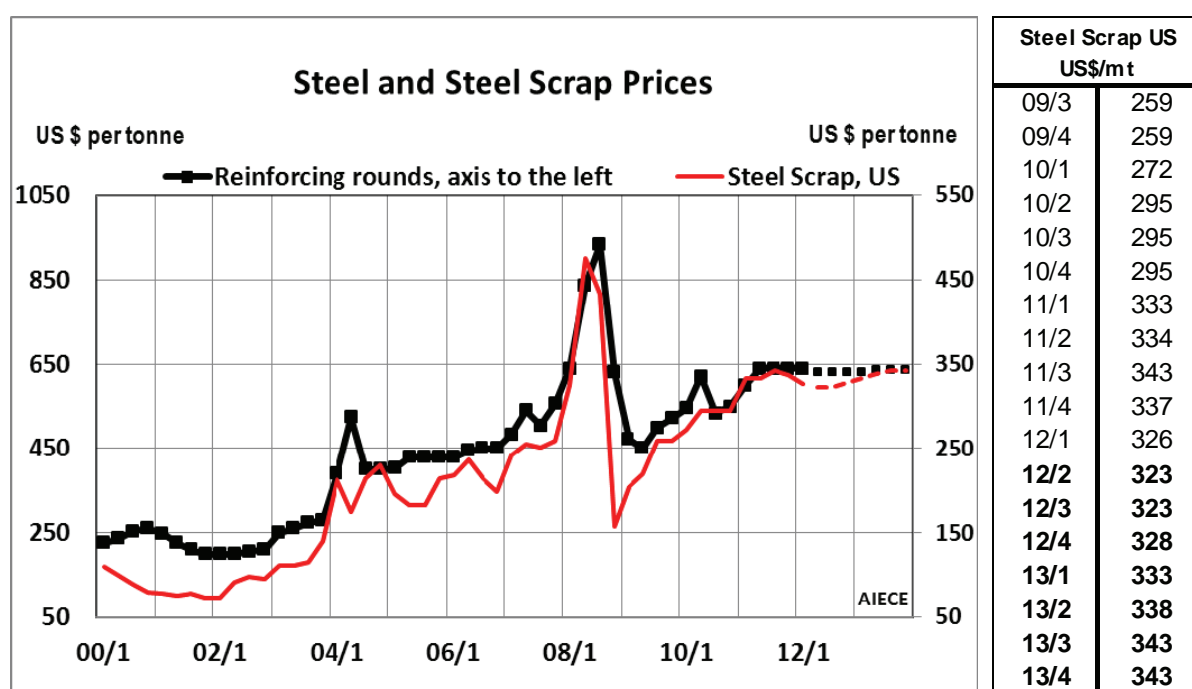
The price of the reinforcing rounds has been surprisingly stable after the beginning of 2011 after very large swings 2008-2010. The declining production was balancing the worsening outlook in the latter part of the year. The economic outlook has recently improved – barring big risks with respect to oil and government indebtedness, which will support the price. The overcapacity and related low cost competition will keep markets soft, while cost pressure from raw material prices is softening as well. Construction is still stagnant in the U.S., weak in the EU and moderate in China at best. Obviously the good years for the steel industry are not coming back in the next few years. In case of reinforcing rounds, the group expects dollar prices fluctuating around rather stable level given the US-Dollar stays weak.

Steel Scrap

Steel scrap prices (heavy melting No1 in the U.S.) like steel prices have been abnormally stable since the beginning of last year. Prices are on a rather high level supported by a recovery of the U.S. steel industry. Also, the steel production in the EU with the notable exception of Spain and the UK has risen. The strengthening of the U.S. steel production and the US-Dollar has supported the price of scrap. Both have raised domestic demand, the latter by redirection of imports from the U.S. to other areas.

The recent brightening economic outlook in the U.S. will ease the market pressure. Strengthening of scrap-intensive U.S. steel production supports the demand for scrap and alleviates the pressure on the price as do the lagged effects of rapidly risen iron ore prices and high-quality iron ore based substitutes like direct reduced and pig iron.

The price is still rather expensive, though it was in early 2012 145 US-\$/mt below the momentary peak of 475 US-\$/mt in the second quarter 2008. The price of steel scrap is expected to decrease this year by 3 per cent after a rise of 16 per cent last year. Next year prices rise 4 per cent as the economic growth and steel demand gets momentum also in the industrialised countries.



Iron Ore

Iron ore prices have declined since post-recession peak in terms of Chinese import prices, which are utilised in formulating monthly and quarterly contract prices. Import prices to China declined strongly after August 2011, which was reflected in quarterly contract prices, which are based on a 3 month average of the two first months of the previous quarter and the last month from the preceding quarter.

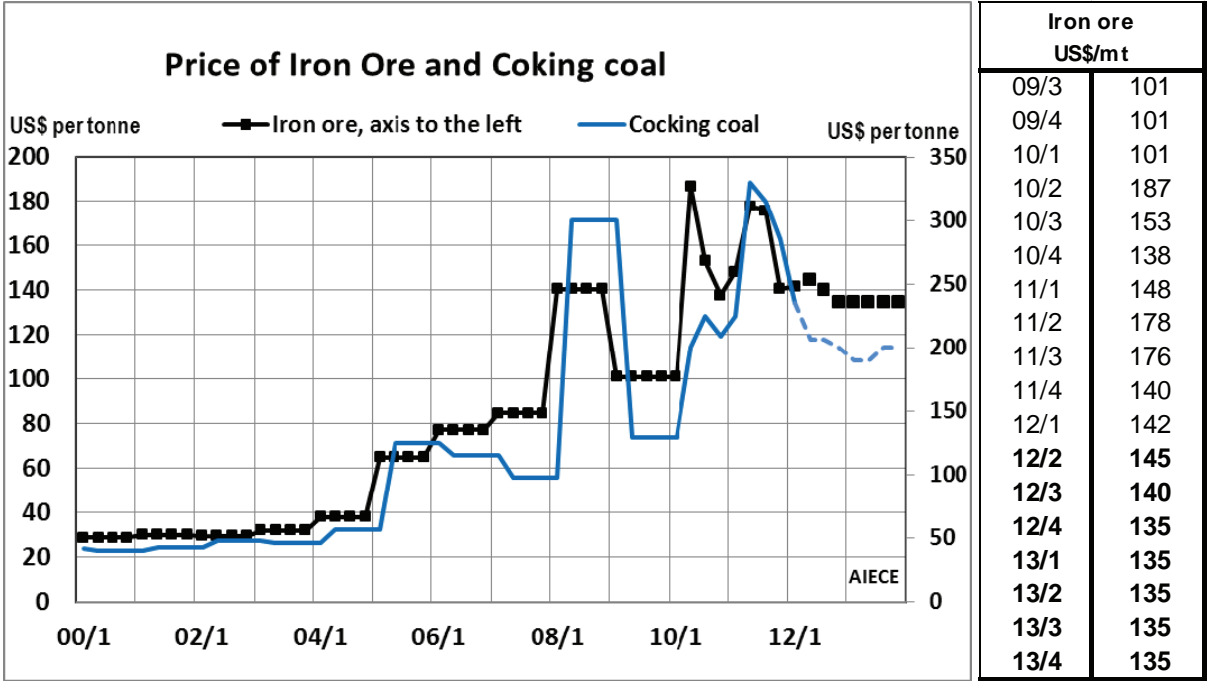
Import prices declined by the fifth in the final quarter. Import prices include insurances and freight costs. Freight costs are very volatile and thus affect prices sometimes substantially. In recent past, they have been relatively stable. Price development has stabilised in the beginning of this year and prices have even slightly risen. Accordingly, quarterly contract prices are stabling in the third quarter after strong declines after the summer.

Iron ore price declines were caused by the softening steel use in a latter half of 2011 especially in China, which uses intensively iron ore in its steel production. While the growth of Chinese demand pulled iron ore prices to new records, the times re now changing.

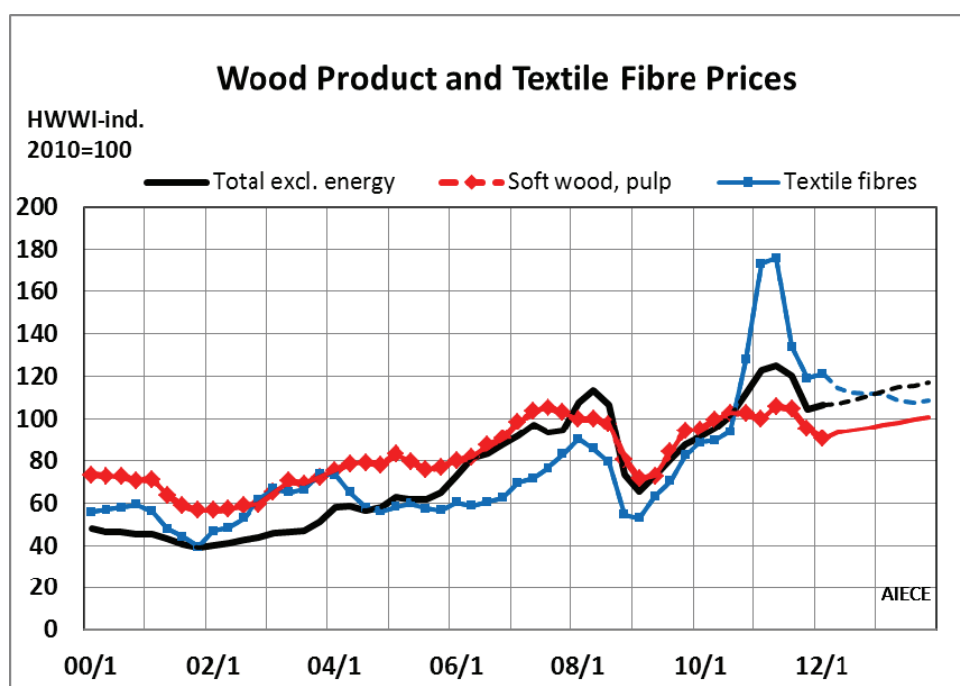
Iron ore stock in China are close to post-recession peaks, a decline in global steel production have depressed the price. The on-going rise in iron ore mining capacity due to very high prices together with improvements in logistics raise seaborne trade of ore and put more pressure on the price. On the other hand, a new social housing program and necessary infrastructure investments due to urbanisation keep on steel-intensive investments and use of iron ore in China.

China is a main driver in the iron ore markets as iron-ore intensive blast furnaces are used intensively in the Chinese steel production. According to World steel Association, China with 45.5 per cent share of world steel production uses iron ore intensive blast furnaces in 90 per cent of its production.

The group expects that the iron ore prices will decline, tough the global economic growth as well as steel production – demand for ore – are expected to strengthen. Supply of iron ore is expected to rise rapidly already in 2012 pulled by the long lasted high prices. This will turn the cycle and lead to decrease in prices in 2012-2013.



3.5 Agricultural raw materials



Cotton

Cotton prices plummeted in the second half of 2011 after the all-time high levels they had reached at the beginning of the year. The volatility in cotton prices was enhanced by a tight market in a context of historically low stocks and an export ban from India, the world's second largest cotton producer. In early 2012, after almost ten months of steady decrease, cotton prices were close to the levels seen in summer 2010 before these bumpy price movements, though still high by historical standards.

This season, a further rise in global cotton production combined with an expected decline in consumption will allow global stocks to significantly replenish. This should continue to bring prices down. Renewed tensions on world cotton trade, due to the currently unclear status of the new Indian ban on cotton exports could however dampen the price decrease. In 2012-2013 and in 2013-2014 production is forecast to outpace demand again, so that no significant upward pressure on cotton prices should be expected.

This season, according to Abare (the Australian Bureau of Agriculture and Resource Economics), world cotton production is projected to rise by 7 per cent to a record 26.9 mt. This is slightly lower than our October forecast (at 27.2 mt) to allow for the full effect of the adverse weather conditions seen in the United States. Production is forecast to increase in most of the major producing countries, notably in the Southern Hemisphere. As we said in October, in the wake of high cotton prices at the time of the planting and relatively favourable weather conditions during the crop season, particularly in Asia, this season record supply will stem mainly from a sharp increase in the world cotton harvested area. The latter is expected to rise by 7 per cent to reach 35.7 million hectares, the largest in 17 years.

The yield improvements remain limited given that the uptake of the current generation of genetically modified cotton crops is nearly complete in the major producing countries.

In the Northern hemisphere, the harvest is completed and all major producing countries should see a crop increase with the exception of the United States. The country will be the only one amid the seven largest world producers, accounting for nearly 85 per cent of world global production, in which cotton production will decrease this season. According to the USDA, the United States Department of Agriculture, it will fall by 13 per cent to 3.4 mt, despite a sharp increase in the planted area (by nearly a third). Indeed, adverse seasonal conditions in the Southwest cotton growing region, the largest one of the Cotton Belt, will lead to a record abandonment rate (area planted but not harvested) of about 35 per cent, three times higher than last season. Besides, the extreme drought conditions will considerably reduce the yield.

Conversely, Chinese cotton production is expected to rise by 10 per cent to 7.3 mt, reflecting a recovering in the yield after last season flood-affected crop and a 7 per cent increase in the harvested area thanks to favourable returns to cotton compared with competing crops. In India, the world second largest producer after China, production is forecast to grow by 8 per cent to 5.9 mt thanks to a 10 per cent increase in the harvested area. In Pakistan, production should also recover from last year flood and rebound strongly by 21 per cent to 2.3 mt.

A record harvest is forecast in the two main cotton producing countries in the Southern hemisphere, namely Brazil and Australia. In the latter, production will recover from last year flood-affected crop : with high prices at planting time as well as a second year of good supplies of irrigation water, the Australian production should jump by 20 per cent to a record 1.1 mt. In Brazil, production should expand by 3 per cent to a record 2 mt thanks to a larger planted area enhanced by high cotton prices.

Next season, cotton supplies are forecast to recede somewhat. According to Abare, global production should fall to 25.5 mt (down 5 per cent from the current season), because of a 9 per cent decrease in the harvested area. The decline in cotton prices should indeed reduce the attractiveness of cotton crops to the benefit of grains and soybeans. The 2012-2013 production projected level is still one of the largest levels seen since the crisis. Production should be lower in all the major producing countries, except in the United States where production is expected to recover from 2011-2012 poor seasons. In Australia, the cotton crop will be sustained by the high level of stored irrigation water: the average storage level of public irrigation dams serving the Australian cotton growing regions reached 99 per cent of capacity in mid-February, compared with a 51 per cent average in February 2010.

In 2013-2014, cotton supply should rebound somewhat to 27.0 mt, in line with better global economic prospects and a continued increase in world cotton area.

2011-12 cotton demand is revised downwards (24.0 mt compared to 25.5 mt in our October forecast), reflecting mainly the economic contraction in the Eurozone and Japan in late 2011 and gloomy prospects for early 2012 in Europe. According to Abare, the decrease in cotton consumption should intensify this season : -5.1 per cent after -1.6 per cent in 2010-2011, because of the economic

downturn in some major consuming markets, particularly in the European Union and in Japan, and of the economic slowdown in the United States and in the Emerging countries. Moreover, due to the surge in cotton prices, the polyester-to-cotton prices ratio fell very low, leading cotton spinners to use less cotton and more blended fabrics. The ratio picked up in late 2011 and went on increasing in early 2012; as cotton prices dropped sharply and are now above the long term average (see first Graph below). In China, the world's largest cotton spinner, mill use is forecast to decline by 5 per cent to 9.5 mt in 2011-12, the lowest in seven years. Consumption is also forecast to fall in India (7 per cent), in Turkey (-5 per cent), in Brazil (-5 per cent) and in the United States (-13 per cent). The only consumption rise will be in Pakistan (+3 per cent), where mill use will be sustained by larger domestic supplies.

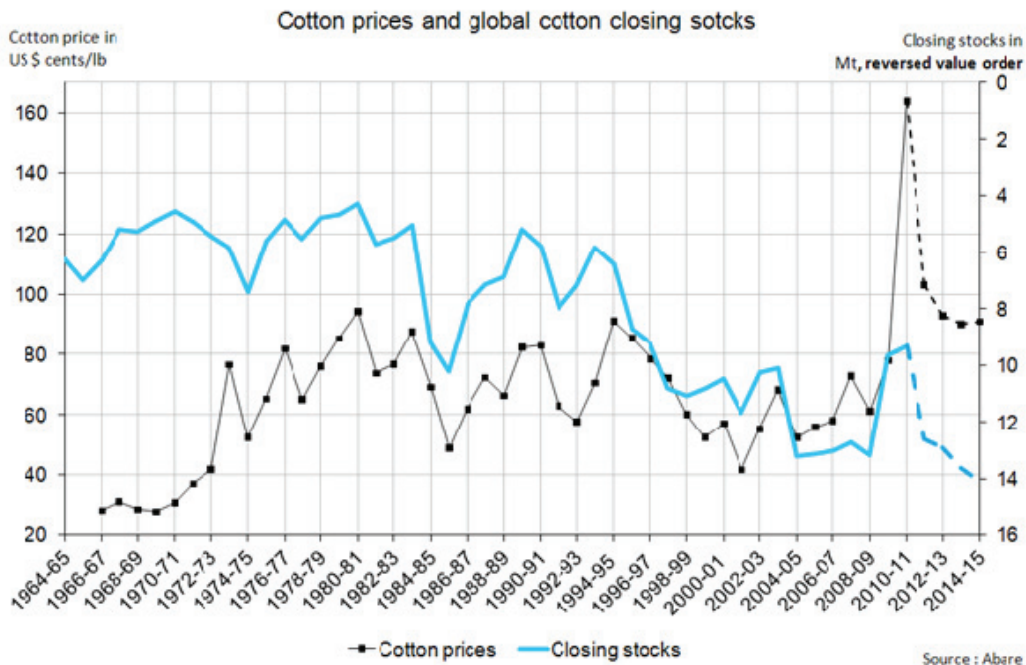
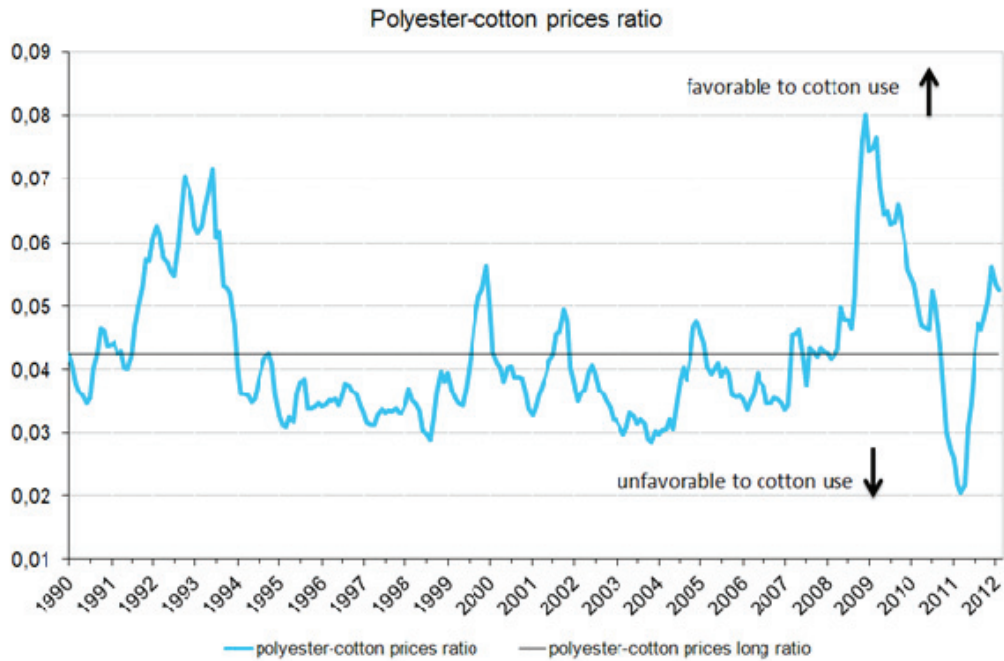
Next season, world cotton demand is forecast to rebound somewhat (+5.9 per cent to 25.4 mt), in response to the decrease in world cotton prices and thanks to an improvement in the world economy, particularly in Europe and in China and India, the two largest cotton consumers. Besides, the recent surge in oil and consequently naphtha prices should help the relative price of cotton compared with that of synthetic fibres to decline. Oil prices are forecast to remain relatively firm in 2012 and in 2013 (between 110 \$ and 120 \$ a barrel), while cotton prices should go on decreasing. Cotton should therefore gradually regain some of the market shares it lost this season and cotton consumption is projected to remain dynamic in the medium term. It should expand by 4.4 per cent to 26.5 mt in 2013-2014.

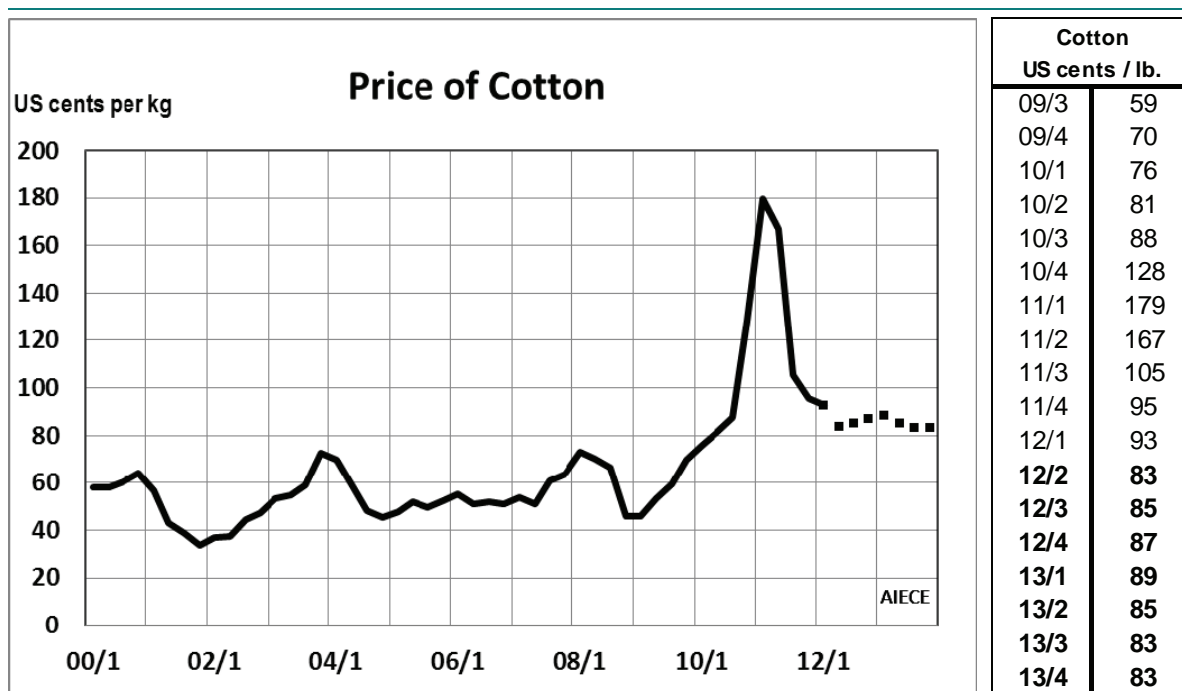
Following two seasons of low levels, world cotton stocks will rebound sharply this season, due to both a rising global production and a declining mill use. Ending stocks will stand at 12.6 mt in 2011-12, a 3.3 mt or 36.1 per cent increase from last season. Not surprisingly this strong increase brought about a drop in prices (see second Graph below). Yet tensions over the uncommitted cotton supply for export still remain, as the Indian government has still not made clear whether it will allow further exports for the remaining of the marketing year. Besides, almost 40 per cent of the gain in global stocks could take place in China as the country is rebuilding the national reserve. According to the ICAC (the International Cotton Advisory Committee), between October and December 2011, a total of 2.1 mt of Chinese cotton was purchased (nearly a third of the total Chinese production) as well as about 1 mt of non-Chinese cotton, mainly from India. Yet it is possible that some of the reserve cotton will be sold later in the season.

In 2012-2013 and in 2013-2014, global stocks should go on rising as production exceeds consumption, though at a more moderate pace (respectively +2.6 per cent and +5.3 per cent). The stocks-to-use ratio should thus rise strongly to above 50 per cent (after 36.5 per cent in 2011-2012), which is close to the ten year average seen between 2000-2001 and 2008-2009.

To conclude, cotton prices should go on declining in the short run, after the all-time high they reached last season. Ample supplies and declining demand should indeed lead to a significant rebound in

stocks. Prices should stabilize next season, as production recedes somewhat and high synthetic fibers' prices boost cotton mill use, before decreasing in the medium term as production rises again.





Wool

After the sharp rise from late 2010 through to spring 2011, wool prices fell back in the second half of 2011, due to weaker consumer demand for wool products in Europe, in the United States and in Japan, in line with the economic slowdown. The decrease was however less marked than for cotton prices, and wool prices remain extremely high from a historical perspective.

All in all, wool prices grew by 46 per cent in 2010-2011 and should rise by 14 per cent this season, despite recent drop in prices. Indeed, wool prices resumed in early 2012 and in March they were still more than 50 per cent higher than in the spring 2010 before the price jump. The upward pressure on prices due to a renewed a tight market, should gradually ease through to the time horizon of the forecast as wool supplies rise. Wool prices are therefore forecast to fall by nearly 10 per cent next season.

This season, according to Abare (the Australian Bureau of Agriculture and Resource Economics), wool production is forecast to increase very slightly by 0.9 per cent to 1.13 mt, in line with our previous forecast. Wool supply will only increase in Australia, while it should decline again in most of the major producing countries, namely South Africa, Uruguay and Argentina.

In Australia, wool production is expected to continue to grow this season : +1.3 per cent to 0.43 mt, thanks to the ongoing flock rebuilding and favourable weather conditions. The Australian sheep flock will indeed enlarge further in 2011-2012 by 5 per cent to 78 million head, after already a 9 per cent increase last season. These two consecutive years of flock rebuilding were prompted mainly by favourable wool and meat prices and ended an ongoing sheep flock decrease of 20 years, which caused a 60 per cent drop in the Australian sheep number. Quite logically, the increase in the sheep

number is forecast to lead to a rise in the number of sheep shorn (+3.0 per cent). However, the average volume of wool cut per head is forecast to fall by 1.4 per cent this season, due to a higher proportion of ewes and lambs than wethers -male sheep which produce a heavier fleece than female and young sheep- in the flock rebuilding that took place over the last two seasons.

Next season, wool supply should improve a little and rise by 1.1 per cent to 1.14 mt. The increase will be mainly driven by Australian production. The latter is indeed expected to accelerate. It should increase by 4.7 per cent to 0.46 mt, as the number of sheep shorn expands further (+3.6 per cent) and the average volume of wool cut per head slightly picks up (+0.7 per cent).

This season, wool demand is forecast to decline by 1.3 per cent to 1,115 mt. This is slightly lower than in our previous forecast, to allow for the economic downturn in Europe and Japan at the end of last year. Global wool demand has also been affected by higher wool prices. For the remainder of 2011-12, consumer spending on discretionary items such as clothing is not expected to recover, as economic prospects remain subdued. In parallel, the activity of the wool textile industry will slow down in China as demand in export markets weakens. Only in the United States a more dynamic activity and labour market could result in a more sustained wool demand. In the wake of better economic prospects, the carry-over in January for U.S. wool products imports for the first quarter of 2012 is +17 per cent after -5 per cent in late 2011.

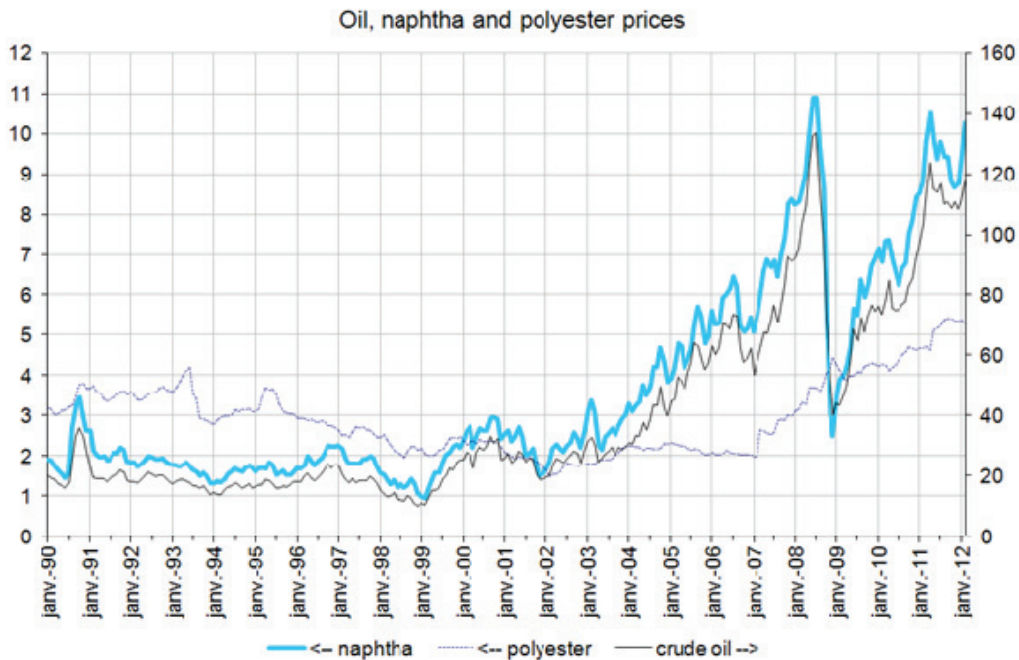
Next season, wool demand is forecast to resume very moderately, by 0.3 per cent to 1.118 mt. Indeed, weak economic activity in the United States and gloomy prospects for economic growth in the Eurozone will dampen retail demand for woollen apparel. In Europe, rising unemployment and fiscal tightening should weigh on consumer spending in general and on discretionary items such as clothing in particular. In China, the world's largest wool processing country accounting for nearly a half of global wool imports, depressed demand from Western countries will be offset by an acceleration in domestic economic growth that will support domestic retail growth and wool demand.

Wool demand is influenced by the price of other fibres, as textile manufacturing allows a high degree of substitution between wool, cotton and synthetic fibres such as polyester and acrylic. The ratios of wool prices to polyester and cotton prices provide a guide to wool's relative price competitiveness. Synthetic fibres are produced from refined petroleum such as naphtha, the prices of which have been rising again in early 2012 (see first Graph below).

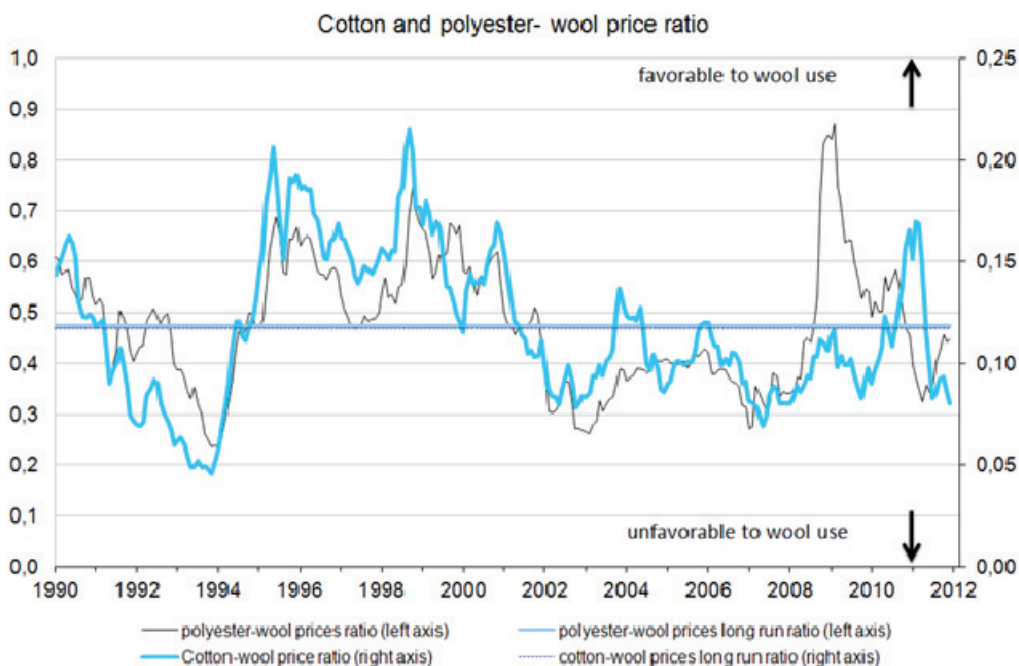
This season, the polyester-to-wool price ratio (the lower the ratio the less competitive wool is to polyester) stayed well below the long-run average (see second Graph below), though it picked up as wool prices dropped from the record levels reached last spring. In the medium term, as oil prices are forecast to stay at historically high levels, the price ratio could somewhat increase in favour of wool. Conversely, as the decline in cotton prices preceded and outpaced that of wool prices, the cotton-to-wool price ratio fell sharply since the beginning of 2011. It decreased further at the start of 2012 as cotton prices went on declining while that of wool resumed. The forecast ongoing easing of cotton prices should constrain wool demand growth this season. Thanks to a slight rise in supply, wool global

stocks are forecast to increase this season and in 2012-2013. However, they remain quite low (accounting for around 5 per cent of global consumption), and the volume of wool exports is expected to decrease this season before resuming partly next season.

To conclude, in the short run, prices should fall again, as production increases and demand declines. But with current low wool exports volume and a usual tight market (with global supply very close to global demand), wool prices should stay at a high level. In the medium term, prices should stabilise as demand firms up in line with the economic activity.



(Note Crude oil: \$/barrel, Naphtha: 100 \$/tonne, Polyester: \$/kg.)



Natural Rubber

Rubber prices fell sharply in late 2011: they lost 20.8 per cent in 2011 fourth quarter, while crude oil prices only dropped by 3 per cent. Prices then stop falling in early 2012 and should rise moderately in the first quarter (+1.5 per cent), in the wake of the recent surge in oil prices. Prices are nonetheless still 17 per cent higher than in summer 2010 before prices rocketed.

Through to 2013, in line with the high level of oil prices, natural rubber prices should go on increasing though at a more moderate pace than that of 2011. Rubber supply is forecast to slow down in line with rubber demand.

In 2011, global rubber supply decelerated and rose by 5.6 per cent after a 10.9 per cent increase in 2010. The 2010 strong production rebound came in response to the sharp increase in rubber prices (which nearly doubled) and the resuming car production due to the world economic upturn after the 2008-2009 crisis. Yet natural rubber production only expanded by 7.3 per cent as it was affected by heavy rainfall in Thailand, Indonesia and Malaysia, the world's three largest producing countries. In 2011, as the world economic activity slowed down and world car production stopped being supported by the scrappage allowance programmes, rubber supply slackened: synthetic rubber production growth in particular halved (+6.0 per cent after +13.7 per cent in 2010). Natural rubber supply also slowed down (+5.2 per cent after +7.3 per cent), once again curtailed by the flood, notably in Thailand, where natural rubber supply remained almost unchanged. Yet production remained dynamic in Malaysia where it increased by 6.1 per cent over the year.

This year, rubber production should slow down again, in response to weaker economic prospect, especially in the industry, and lower rubber prices after the drop in late 2011. Assuming normal weather conditions, natural rubber supply is forecast to increase by 3.2 per cent. In Malaysia, natural rubber supply fell by 21 per cent year-on-year in January, although production is usually quite dynamic at this time of year. The carry-over for 2012 as a whole is only +2.4 per cent, which is indicative of a restraining production growth (see second Graph below). Likewise, in Thailand, rubber supply fell by 8 per cent in January year-on-year, and the carry-over for 2012 is negative.

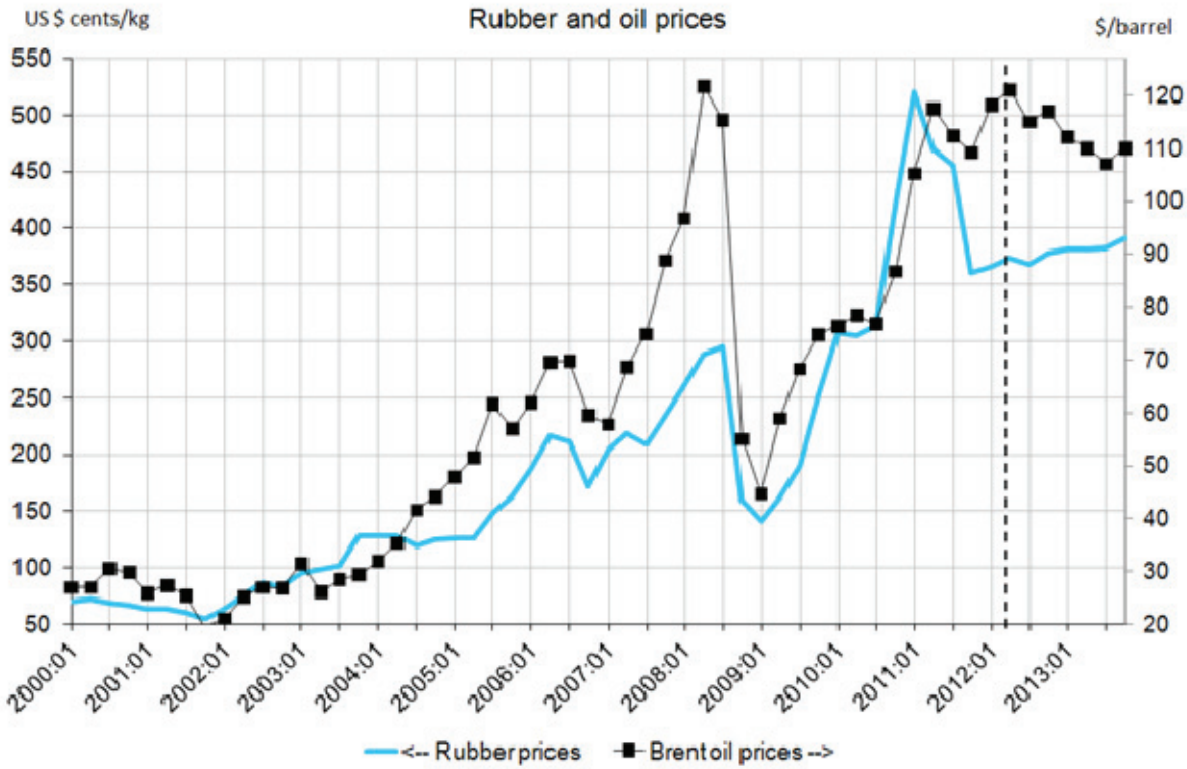
In 2011, global rubber demand markedly slowed down: it expanded by 3.8 per cent after +15.2 per cent in 2010, when rubber consumption was driven by the economic recovery and the scrappage allowance programmes that boosted car production. In 2011, the rise in rubber consumption was mainly driven by synthetic rubber consumption (+5.6 per cent) while natural consumption only grew by 1.4 per cent due to the unusually high natural rubber prices relative to that of synthetic rubber during H1 2011. Natural rubber prices came in 88 per cent higher than synthetic rubber prices in 2011 Q1 and 40 per cent higher in 2011 Q2. In 2011, car production suffered from the earthquake in Japan and the following supply disruption. In Japan, the world third largest producer after China and the United States, car production collapsed in March and April (respectively by 54 per cent and 11 per cent) and although it resumed in the following months it regained its pre-tsunami level only by the end of the year (see third Graph below). All in all in 2011, the Japanese car production fell by

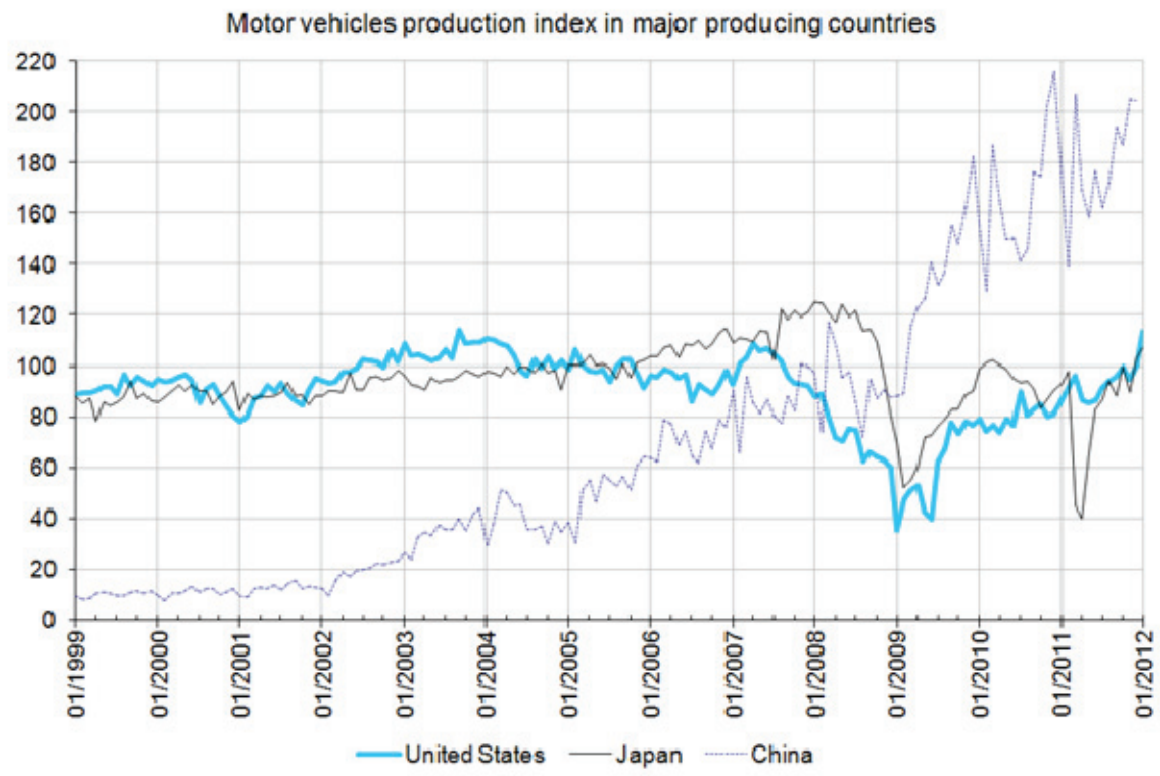
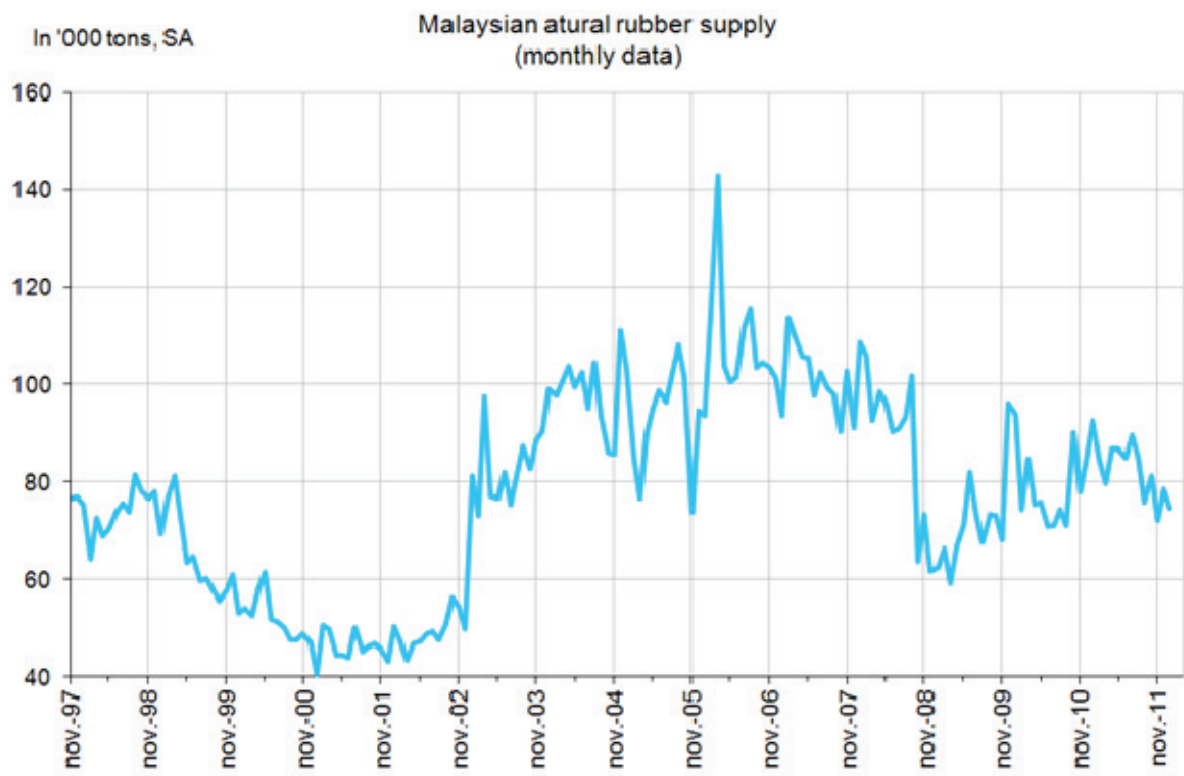
13 per cent while it grew by 29 per cent in 2010. In parallel, car production slowed down sharply in China (+8 per cent after +24 per cent in 2010) and in the United States (+15 per cent after +36 per cent in 2010), where it suffered from supply chains disruption. In April, car production dropped by 18 per cent in China and by 9 per cent in the United States.

This year, in line with the decline in rubber prices, global consumption should go on expanding at a similar pace (+3.9 per cent). With the surge in oil prices in early 2012, natural rubber demand should accelerate (+3.4 per cent after +1.4 per cent) while that of synthetic rubber is forecast to slow down (+3.6 per cent after +5.6 per cent in 2011).

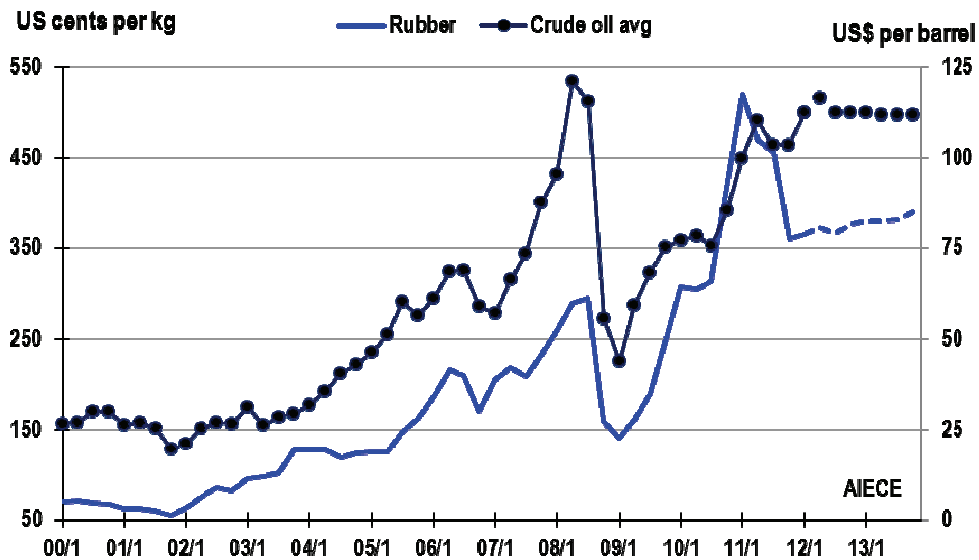
In late 2011, after the sharp rise at the beginning of the year and thanks to a global supply growth that outpaced that of consumption, rubber prices fell significantly. In 2012, although rubber supply is forecast to slow down, prices should come in lower than in 2011 (-17.7 per cent) due to the strong negative carry-over at the end of 2011.

With the world economy to gradually improve and the high level of oil prices that will translate into synthetic rubber prices, rubber prices should go on rising up to 2013, but at a moderate pace.





Natural Rubber and average crude oil Price



Rubber	
Malaysian cents / kg	
09/3	190
09/4	250
10/1	307
10/2	304
10/3	313
10/4	418
11/1	520
11/2	470
11/3	455
11/4	360
12/1	365
12/2	373
12/3	367
12/4	376
13/1	380
13/2	379
13/3	381
13/4	389

Wood Pulp

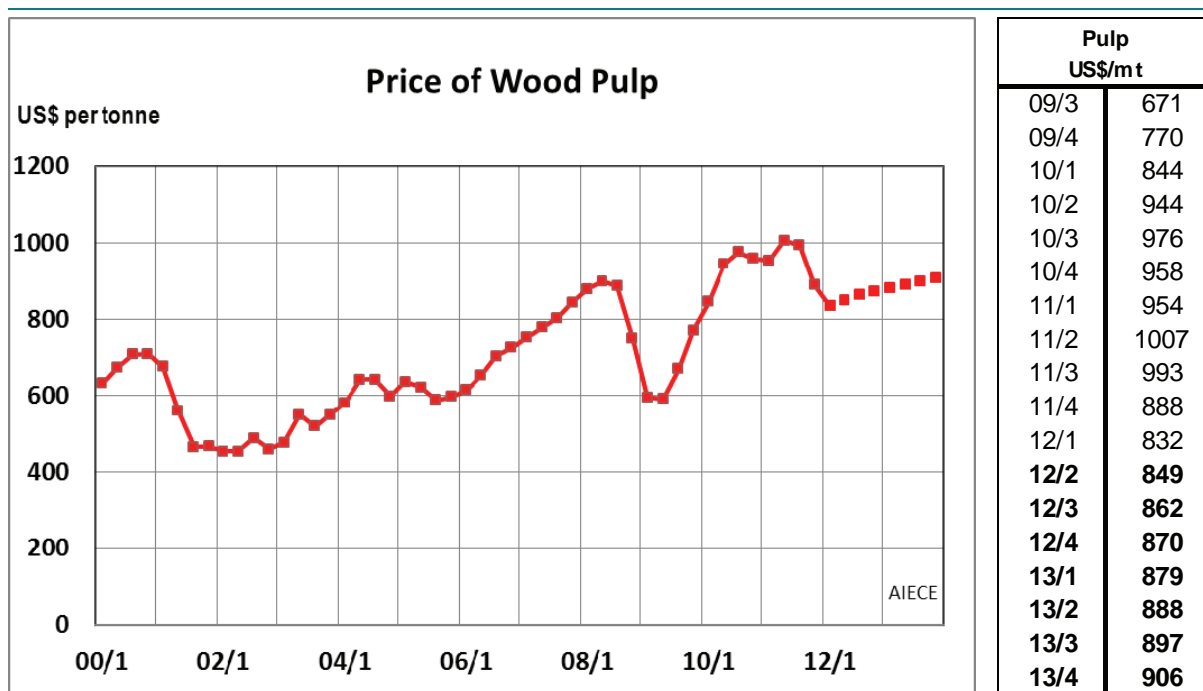
As for most other commodities the global recession in 2008/2009 led to a worldwide fall in demand, with a resulting steep drop in prices. Prices fell from around \$900 to below \$600 between the summer of 2008 and the spring of 2009. To meet the drop in demand, production cuts were made. Between the spring of 2009 and the summer of 2010 the pulp price increased sharply, reaching the pre-crisis levels. The price increased due to increased demand, especially from China, and restrictions in supply.

Since the prices peaked in the summer of 2011 they have fallen about 20 per cent as both buyers and sellers went through a period of de-stocking at the back of slowing growth prospects. In the last couple of months the prices have stabilized.

One can note that the prices for wood pulp are now far from the lows that followed in the wake of the recession in 2008/2009. The main reason for this is that world trade and growth in developing markets have been holding up much better this time around.

In the NIER's Business Tendency Survey about half of the respondents say that they expect prices to increase in the near term. Despite these positive developments a rather large proportion of the companies say that their inventories are too large at the moment, despite reduction in production in the last year.

The period of de-stocking is over for this time. With better growth prospects on the horizon, already manifested in increasing price expectations among firms, the prices will surely increase in the near term. As world growth and trade is picking up in the second half of 2012 and 2013, pulp prices are expected to increase somewhat further. The prices are, however, not expected to reach the high levels noted in 2011.



Sawn Wood

The price of sawn soft wood plunged between mid-2007 and the spring 2009. Increased demand and lowered supply thereafter led to a steep price increase in the second half of 2009. In the period 2010–2011 the price was fairly stable. The price started to fall in late 2011 and at the beginning of 2012. The price decrease seems to have stabilized in the last couple of months.

Sawn wood is mainly used in construction. Construction in Europe has fallen about 15 per cent since 2007. Some countries in Europe and in North America have problem with overcapacity in the housing market. Construction output in Europe is expected to be hampered by lower public investments and dismal growth. The demand increase for sawn wood will therefore be modest.

As in the case with wood pulp, the NIER Business Tendency Survey indicates that the price outlook for the near future is positive with companies expecting increasing prices in the next quarter. The price outlook has changed dramatically since the fall/winter of 2010 when the expectations were very negative.

A continued higher demand from Asia compared to Europe, together with lowered supply due to the shutdown of non-profitable saw mills in Europe after the collapse in prices in 2008/2009, are preventing the prices from falling further, should not the macro economic outlook worsen.

The price is expected to increase at a modest pace in the remaining part of 2012 and in 2013 as the consumption of sawn wood increases and world growth and trade is increasing. This means that the prices at the end of 2013 will be the same as the average price of the period 2010-2011.



Table 6 Agricultural raw materials (US\$ terms)																	
Commodity		11/1	11/2	11/3	11/4	12/1	12/2	12/3	12/4	13/1	13/2	13/3	13/4	2010	2011	2012	2013
Agricultural raw materials		115	117	113	100	97	98	99	100	101	102	103	104	100	111	98	103
		6	2	-3	-12	-3	1	0	1	1	1	1	1	34	11	-11	4
Textile fibres		174	176	134	119	121	114	112	112	112	109	108	109	100	150	115	109
		36	1	-24	-11	2	-6	-2	0	0	-3	-1	1	49	50	-24	-5
Cotton	US	192	179	113	102	99	89	91	93	95	91	89	89	100	146	93	91
		40	-7	-37	-9	-3	-10	2	2	2	-4	-2	0	64	46	-36	-2
Wool	AUS	149	173	163	143	152	149	141	138	136	133	133	136	100	157	145	134
		29	16	-6	-12	6	-2	-5	-2	-2	-2	0	2	32	57	-7	-7
Natural rubber	THAI	155	140	135	107	109	111	109	112	113	113	113	116	100	134	110	114
		24	-10	-3	-21	1	2	-2	3	1	0	0	2	81	34	-18	3
Wood products		101	107	106	96	92	93	94	96	97	98	99	101	100	101	94	99
		-3	6	-1	-9	-5	2	1	1	1	1	1	1	24	1	-8	5
Softwood	S	98	104	103	95	91	93	94	95	97	98	100	101	100	100	93	99
		-4	7	-1	-8	-4	2	1	2	2	1	1	1	14	0	-7	6
Woodpulp	FIN	102	108	107	95	89	91	93	93	94	95	96	97	100	103	92	96
		0	6	-1	-11	-6	2	1	1	1	1	1	1	42	3	-11	5

3.6 Food and tropical beverages

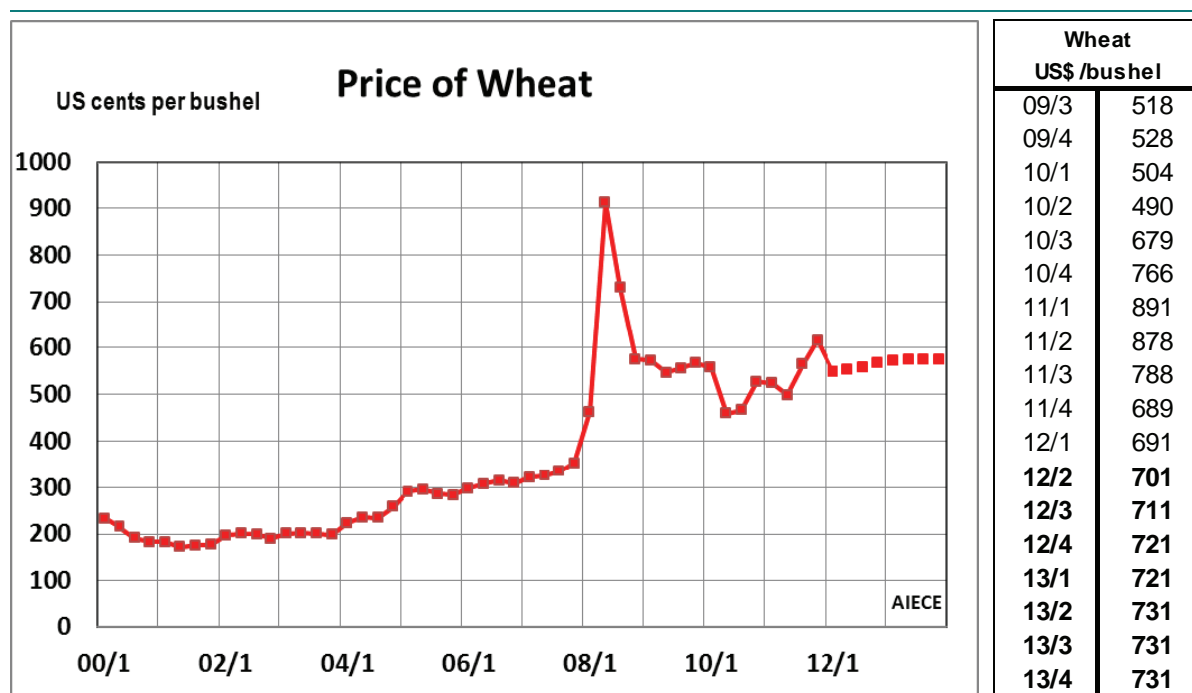
Wheat

International wheat prices have been declining rapidly towards the end of last year, but stabilised more recently. One factor that depressed prices was a continued upgrading of expected production despite a deterioration of the outlook for harvests in the U.S. and some European countries as the recovery of output in Eastern Europe and the CIS countries from last season's drought-reduced levels was even sharper than forecast. A second factor was the deterioration of the general economic outlook in the wake of the escalation of the sovereign debt crisis in the euro area and increased uncertainty about growth prospects in the U.S. In the first quarter wheat prices were about 12 per cent below their levels in the third quarter last year, just slightly higher than predicted in our autumn forecast.

The forecast for global wheat production in the market year 2011/12 is for a sharp recovery from last year's crop. Output is expected to rise by 15 mill tons (35 per cent) in Russia, by 10 mill tons in Kazakhstan (up 100 per cent), and by 6 mill tons (40 per cent) in the Ukraine. In other main producer regions, such as Europe, South America, Australia and the large Asian producers China and India gains were more modest but compared with relatively high levels of production in the previous year. An exception to the generally favourable picture as production is concerned is the U.S., where a fall in output of 6 mill tons (-10 per cent) is envisaged mainly as a result of adverse weather conditions in the central and southern plains.

Wheat consumption growth is forecast to increase by more than 2 per cent driven mainly by increasing feed use which rose by more than 20 per cent, the highest rate of growth in 20 years. Tight global availabilities of maize, relatively low wheat prices and ample supply of lower-grades wheat for feed are boosting demand for this purpose. Food use, which constitutes a share of around 70 per cent of wheat consumption, is expected to continue its slowly rising trend, with consumption growth taking place mainly in the emerging economies.

Despite brisk consumption growth the record crop will increase stock levels further in 2011/12 to more than 31 per cent of utilization. Looking forward to 2012/13, the outlook is currently for a more balanced market. Nevertheless high inventories should exert downward pressure on prices over the forecast horizon. However, the expected strength of coarse grain prices and higher production costs should support wheat prices going forward thus limiting the downside to wheat prices from a fundamental point of view. Risks to the outlook stem from the general environment in financial markets as financial investors play an important role in the wheat futures market.



Rice

Rice prices have fluctuated substantially since last October but they are still consistent with the gentle upward trend which is in place for two years now. The pronounced rise of prices experienced in the second half of 2011 was largely reversed in most recent months. Concerns about reduced availabilities in the world market due to high producer price policies in Thailand, potential adverse impact of the flooding on exports in that country, and a sharply lower production in the United States helped lift prices in the fall but proved to be unwarranted also because other countries, especially India and Pakistan, where increasing their exports in response to unusually large crops. In addition, it should be noted that price movements across the different varieties and origin have not been consistent in the recent past, with our benchmark Thai rice quotation having been relatively strong while prices for Japonica or fragrant rice, for instance, have underperformed.

Global rice production is estimated to rise by around 3.5 per cent to a new record in 2011/12. Output expanded most vigorously in South and East Asia with the five largest producers (China, India, Indonesia, Bangladesh and Vietnam all approaching or surpassing historical highs. At the same time, the severe flooding in Thailand turned out to have only a moderate effect on output in the country as much of the loss during October/November is expected to be recouped in the second harvest in early 2012. In the United States, by contrast, output is forecast to fall by more than 20 per cent mainly because farmers reduced the area planted to rice in order to switch to more profitable crops. Lower plantings and adverse weather also significantly affected production in Brazil, the largest producer outside Asia. Rice consumption has almost kept up with production mainly driven by higher food use. The rise of per capita consumption observed in 2011 is, however, expected to be temporary as the

secular trend in the Asian region that is associated with high income growth and urbanization leads towards an increasing share of wheat-based products, meat and dairy products in the diet.

On balance, global production surpassed consumption for the sixth consecutive year and added further to stocks which are now at historically extremely high levels. However, more than 70 per cent of stocks are held in China and India, countries which are not major exporters on the world market and supply on world markets may be perceived as less comfortable than the aggregate figure suggests. In this environment supply disruptions in a major exporting country (such as Thailand or Vietnam) or substantial additional import demand could easily lead to significant upward pressure on prices. On the other hand, if harvests can be realized as projected and rice production is evolving as expected rice prices should continue to follow a relatively stable path. The current level of world market prices is supported by the new policy of the Thai government to buy rice at relatively high prices, but there is a risk that world market prices could soften if the government chooses to restrain restocking or even release some of its inventories in order to finance part of the programme.

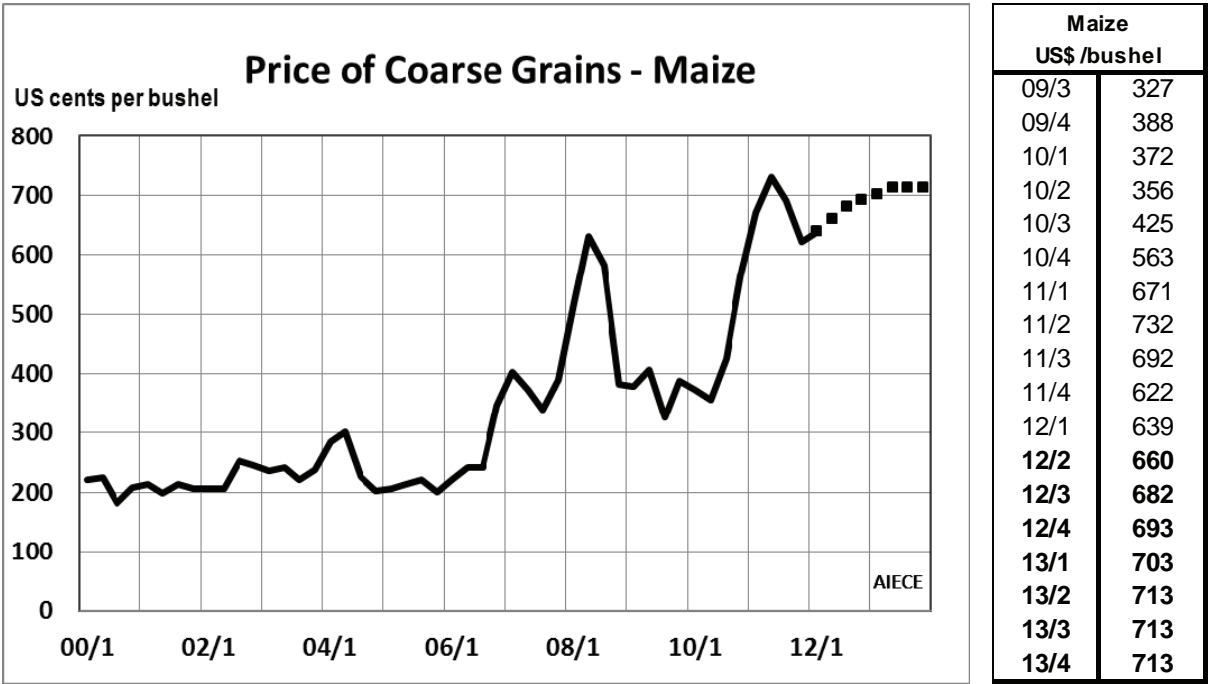
Coarse grains

Coarse grain prices have retreated somewhat from their historically high levels seen in summer months partly (although slightly less than expected) driven by bearish investor sentiment but the direction of prices turned with the start of the New Year. However, the correction of some 10 per cent so far looks modest given that maize prices had doubled since mid-2010. The resilience of coarse grain prices in general and corn prices in particular is explained by the fact that the market remains extremely tight despite of a record harvest. Although world corn production is forecast to rise to a historical high of more than 860 mill tons, driven by a huge rise in output in CIS countries and a record harvest in China. However, substantial increases of crop in the U.S. (up 9 per cent year-on-year), However, this level of output will still not be sufficient to meet current demand and inventories are expected to be reduced further, although only slightly, from already critically low levels, particularly in the U.S., the most important exporting country.

Maize consumption is forecast to continue rising in the market year 2011/12 (July-June), although the growth rate is expected to slow to below 2 per cent from 2.5 per cent in the previous year and 5 per cent in 2009/10. Especially growth in industrial use is projected to slow sharply as the mandates for ethanol production in the U.S. are starting to level off, government programmes to subsidize ethanol production have been terminated at the end of 2011 and, hence, the incentive to increase ethanol output above the mandated levels is diminishing at current high corn prices. In addition, the so called blend wall is approaching as almost all gasoline is now blended with 10 per cent ethanol, demand for fuel consisting of 85 per cent ethanol which can be burnt in flex-fuel cars is only slowly taking off and gasoline consumption as a whole is sluggish. Feed use is forecast to rise strongly dominated by substantial increases in feed corn consumption in China and Latin America which is

driven by the expansion of meat producing sectors (pigs and cattle, respectively). Import demand from China has so far been modest as domestic producers have harvested a bumper crop, but going forward the country can be expected to import more significant volumes of corn from the world market in order to reduce upward pressure on domestic prices.

Under the assumption that another global economic crisis can be prevented and the situation in global financial markets will progressively ease, world market prices for coarse grains should remain high over the forecast horizon. The extremely low level of inventories should provide support for corn prices. The stocks-to-utilization is forecast to even slightly decline further to an estimated 13,3 per cent in 2011/12, down from 14,6 per cent last season, We expect corn prices to be 3 per cent lower next year on average, following two years of strong price increases. However, the tight market situation bears a substantial risk that prices start escalating again if the outlook for production should deteriorate. Downward risks for prices, apart from risks to the general economic outlook, which translate particularly strongly into demand for coarse grains due to their dominant use as feed and fuel, mainly relate to the outlook for demand from industrial use in the U.S. as competition with imported ethanol made from sugar cane is likely to increase due to a relaxation of import regulations.



Soybeans

In July 2008 the soybean prices reached an all-time high of 1555.5 US-cents/60lb and a record low of 812 US-cents December 2008. From April to August 2011 the prices for soybeans were also highly volatile. At the end of August the soybean prices reached their peak at 1449 US-cents/60lb bushel converging towards the historical high in 2008. Since this peak the price has fallen to 1100 US-cents

for a bushel in the middle of December 2011. Since the beginning of 2012 the soybean prices started to recover and recently reached over 1350 US-cents per bushel, but are still 5.4 per cent lower in a year to year comparison.

The USDA estimates in its March Oil Crops Outlook that the worldwide soybean production will be 245.1 million tonnes in 2011/12. Therefore, the output would be 19.2 million tonnes below the last year's mark of 264.3 million tonnes. Never have absolute production levels fallen so drastically from year to year since systematic soybean price records began. In consequence, world soy production will decrease by around 7.3 per cent to a three year low. The main reasons for the reduced crop estimates are a lower soy production in South America due to bad weather conditions.

According to the USDA the Brazilian soybean production will decline to 68.5 million tonnes in 2011/12. Hence Brazil cannot repeat its last year record soy production of 74.5 million tonnes. In the south part of the country dry weather caused by the La Nina event negatively affected the pod development. In the second half of February 2012 rainfalls improved the situation somewhat. Nevertheless in the southern part of Brazil the cumulative rainfall since November 2011 was one third below its long term average.

In February Argentina also benefited from rainfalls, after a long dry period. However, the soybean crop already has been damaged. Argentine farmers were confronted with weather conditions even drier and hotter than in the neighbouring country Brazil. At the beginning of 2012 serious moisture deficits have stalled the soybean planting. It is anticipated that the Argentine soybean production will be 46.5 million tonnes. This corresponds to a reduction of more than 5 per cent compared to the last season 2010/11, when 49 million tonnes were harvested.

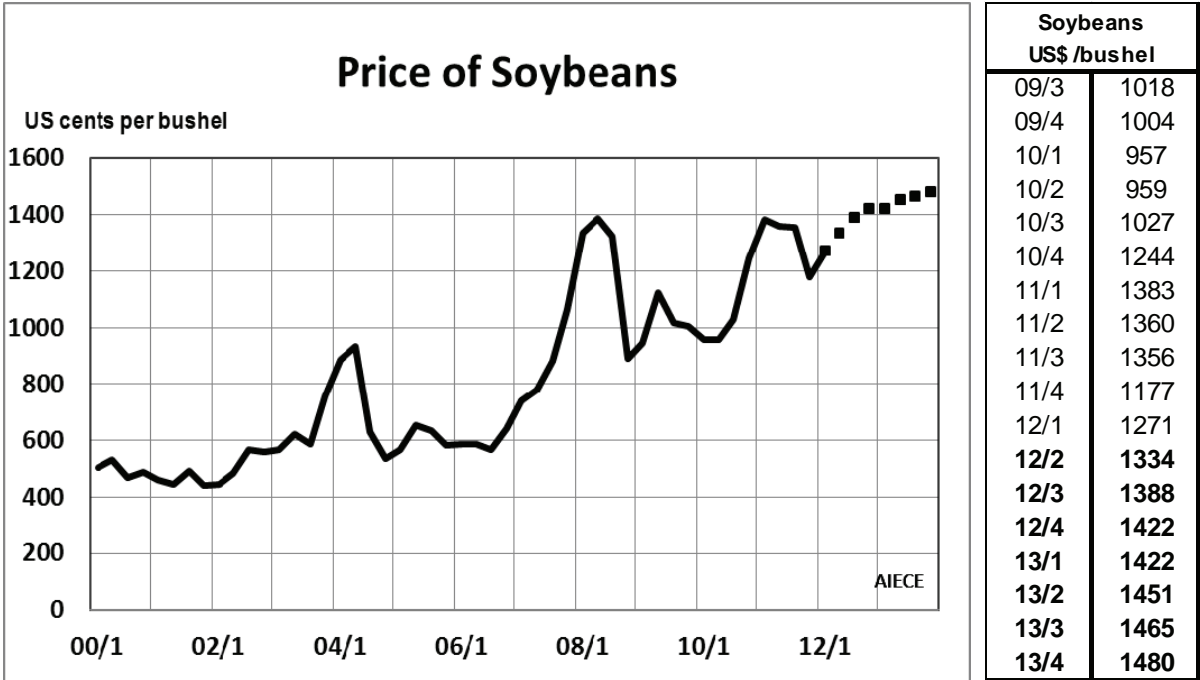
Also for the U.S., the worldwide largest soybean producer, the estimated figures are lower than in the years before. In February the USDA expected a U.S. soybean production of 83.2 million tonnes in 2011/12. That is a reduction of more than 8 per cent. Unfavourable weather conditions during the key growing periods reduced soybean yields in the U.S. to a 10-year low.

In 2011/12, world soybean consumption is estimated to increase by around 5 per cent to 262.7 million tonnes compared to the previous season 2010/2011 with 250.6 million tonnes, according to the USDA February report "Oilseeds: World Markets and Trade". The high level of demand is mainly due to the strong soybean consumption in China. According to the USDA China's imports grew to 52.3 million tonnes in the season 2010/11 and will continue to grow up to 55 million tonnes in 2011/12, which reflects an increase of over 5 per cent.

The continuing strong Chinese imports and the lower supply will be responsible for a decrease of the global soybean ending stocks in 2011/12. They are forecast to shrink to 63.4 million tonnes, while 2010/2011 65.88 million tonnes soybeans were stored. Pessimistic prospects for the South American soybean harvest have made the buffer stocks of importing countries valuable. Soybean shipments from Brazil are forecast to be lower in the season 2011/12.

In 2012, soybean prices are expected to rise further as a rise in global demand is anticipated, although the growth-rate of soybean use in China slowed down a bit. China, which accounts for approximately 60 per cent of the global soybean trade, announced in its official projections that it anticipates a more moderate economic growth at 7.5 per cent in 2012. In comparison to both of the years before that is a remarkable economic slowdown. This will have an impact on the international soybean market because the rising income is one of the main drivers of the Chinese soybean consumption. People in the country can effort more qualitative food and meat. According to the USDA the Chinese Soybean demand is also moderating due a lower output of hogs. Outbreaks of diseases reduced the herds. But with the recreation of the flocks during 2012 the demand for feed will rise. That should increase the profitability of crushing and support the Chinese soybean imports.

For 2012/2013 it is expected that the prices for soybeans, soybean meal and soybean oil will rise from their current level due to the illustrated development of global supply and demand. It is expected that the use of soybeans as animal feed will be underpinned by a trend of stronger Chinese meat-demand. The demand for soybeans is forecast to outpace the supply and consequently cut global stocks. It is likely that in 2012/13 the production of the three world’s biggest producers will recover and therefore limit the price rises in soybeans and soybean meal. Furthermore, soybean oil can be easily substituted by other kinds of oil. According to the Australian Department of Agriculture, Fisheries and Forestry the worldwide oilseed production is likely to rise to a record high in 2012/13, which would have an alleviative effect on soybean pricing. Unforeseeable significant crop failures or bad weather conditions could, however, cause stronger price increases in the season 2012/13.



3.6.1 Beverages and sugar

Coffee

In the middle of March 2012 the composite indicator for Arabica and Robusta beans of the International Coffee Organization (ICO) reached a 16-month low at 166.10 US-cents/lb. This was caused by expectations that the next Brazilian coffee crop could be excellent.

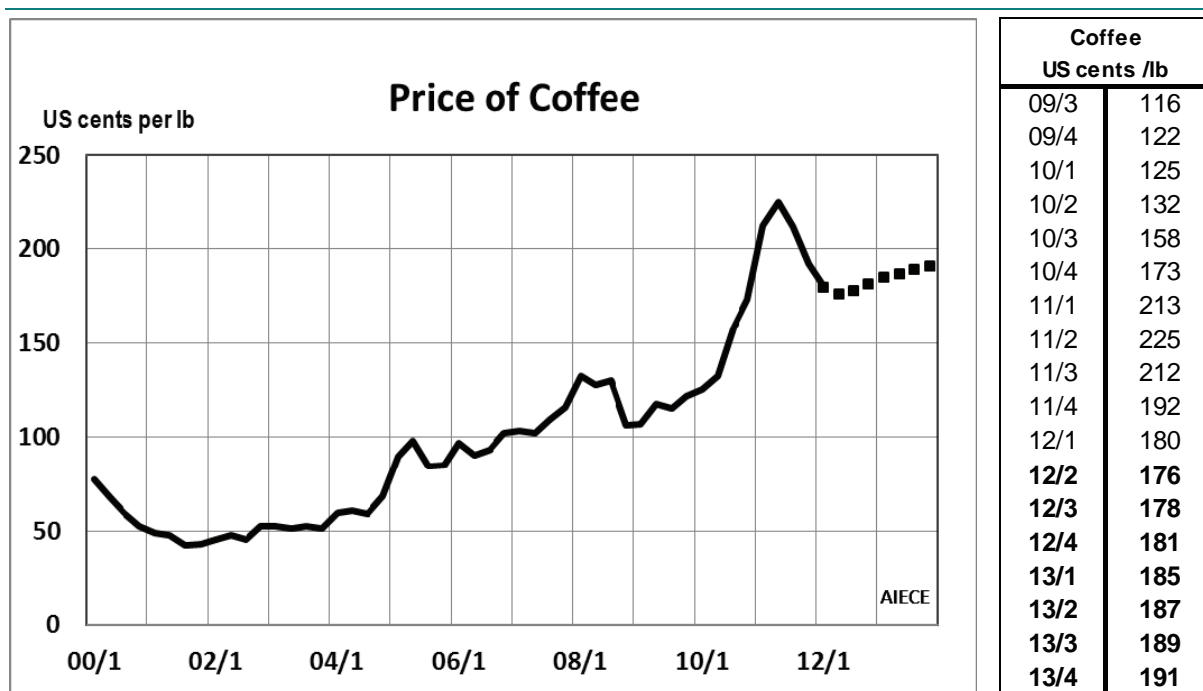
According to the ICO, the global coffee production in the crop year 2011/12 is estimated at 128.5 million bags, which implies a 4.3 per cent fall compared to the previous season. This development is mainly due to the biennial cycle for Arabica production in Brazil, which is expected to drop by 12 per cent. Further Columbia produced below capacity during the previous years and does not seem to recover from this within the near future. According to the ICO this is mainly due to excess rainfall, the occurrence of coffee disease and pests. For example leaf rust destroys the leaves of the coffee trees and withdraws energy in form of chlorophyll. In conclusion, South American production is expected to drop by 7.6 per cent to 58 million bags in the season 2011/12.

Except for Africa, which accounts for about 14 per cent of global production, in all other coffee-producing regions the output has decreased as well. In Vietnam, the most important planting-country for Robusta coffee beans, production is likely to fall more than 10 per cent due to heavy rainfalls. Rain during the flowering stage reduced the crop prospects in Vietnams Central Highlands.

First estimates the Brazilian crop year of Brazil of the crop year 2012/13 indicate a record crop of 50.6 million bags. However, since these are very early estimates and crop data from other producing countries is still lacking, it is not yet possible to accurately estimate the total world production for 2012/13.

In the calendar year 2010, 135 million bags were consumed worldwide. This represents an increase of 2.4 per cent in comparison to 2009. According to the ICO coffee demand further grew in 2011 and is provisionally estimated to reach 136.5 million bags. Consumption increased most significantly in coffee exporting countries, with an upswing of 4 per cent. In importing countries, which account for around 70 per cent of the global consumption, demand growth was weak and will remain so. The long-term average of global demand growth is 1.6 per cent. According to the ICO, the growth rate for global consumption for the next years can be seen anywhere between 1.5 per cent and 2.5 per cent.

In conclusion, the longer-term outlook for the coffee market in term of fundamentals is positive. Steadily growing worldwide demand coupled with the short supply of the variety Washed Arabicas in Central America and Colombia, will most probably support prices. Furthermore the consumption in coffee exporting countries and emerging markets is expected to grow further. Especially in Brazil it is likely that an increasing income will support the domestic coffee consumption. However increased inventories in importing countries will be a bumper and will help to limit price increases in the current and the following year 2013. Currently the importing countries have approximately 22.3 million bags coffee in their storehouses.



3.6.2 Cocoa

Cocoa

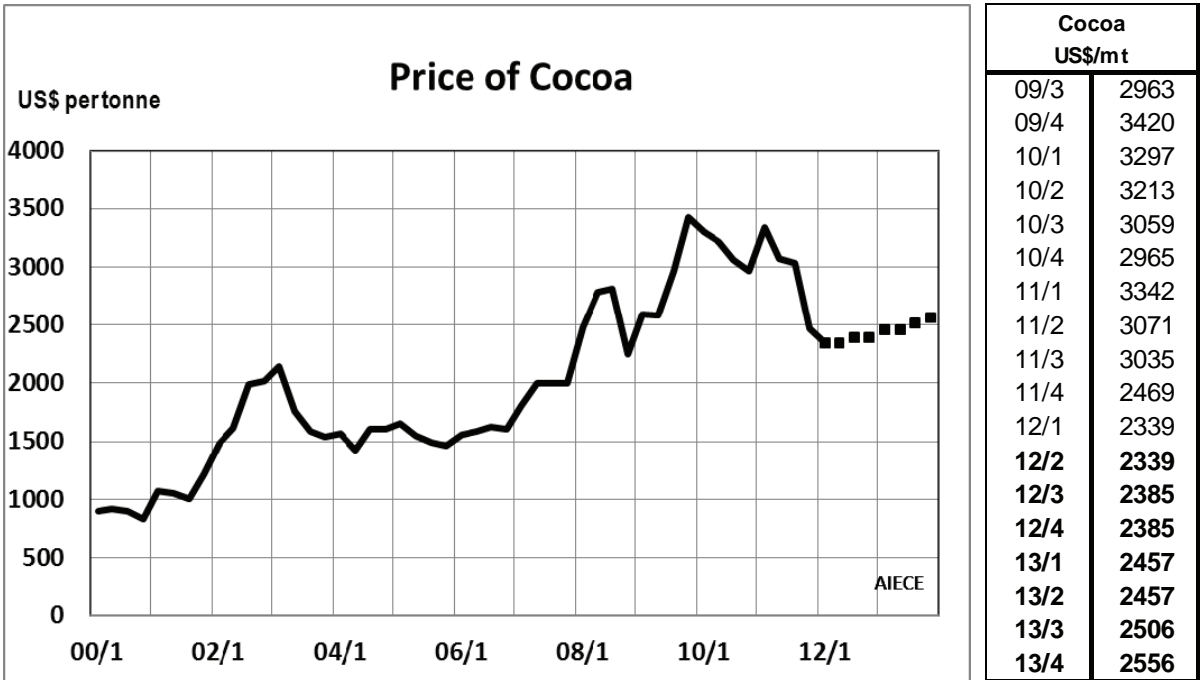
Since the beginning of March 2011, when the political conflict in the Ivory Coast started to be resolved, cocoa prices decreased. In September 2011 the cocoa price averaged 2875.2 US-\$/ton, down by 595.9 US-\$ compared to 3471.1 US-\$ in February 2011. Recently the cocoa price declined to 2260 US-\$/ton, which is around 35 per cent lower than one year ago. In March, cocoa prices fell as rainfalls helped to boost crops in West Africa, bringing the market closer to balance after a shortage was forecast earlier this year

For the current season 2011/12 the International Cocoa Organization (ICCO) forecasts a decreasing global cocoa production. However, production will decrease from high levels; unlike coffee or soy production in South America, cocoa production in West Africa benefited from La Nina event, which helped to increase the cocoa production in the Ivory Coast strongly. The Ivory Coast is the largest cocoa bean supplier worldwide and has, together with Ghana, a market share of around 60 per cent. It is forecast that the global cocoa production will be 3.961 million tonnes in 2011/12. That corresponds to a decrease of around 8 per cent or 342.000 tonnes in absolute terms compared to 2010/11.

It is estimated that the cocoa grindings, which reflects stands for the demand, will reach more than 3.99 million tonnes in the season 2011/12. In comparison to the previous season this is an increase of 2 per cent. According to the ICCO's Quarterly Bulletin of Cocoa Statistics a production deficit of around 71.000 tonnes is to be expected for the season 2011/12. That would decrease the worldwide cocoa bean stocks and mean that the stocks/grindings ratio, as an indicator for the tightness of the market, would decline. While in the last season 2010/2011 the ratio was 45.4 per cent, it was 42.7 per cent in 2011/12.

After strong price reductions in 2011 it is likely that the prices will rise in the next two years due to tighter market conditions. At present, West Africa’s cocoa sector is still confronted with the difficulties of the high age of tree stocks and infrastructure problems. The balance of the cocoa market can be exposed to further risk if West Africa were to suffer under adverse weather conditions in the future. That would be a problem because the bulk of the cocoa beans worldwide come from that region. Hence there is a concentration of risk.

However, programmes to support the cocoa sector could yield fruits and could improve the outlook for the global cocoa production in the near future. This, as well as a moderately increasing demand will make it likely that cocoa prices remain below the price hike seen the year before, when the prices increased dramatically during the political crisis in the Ivory Coast.



Tea

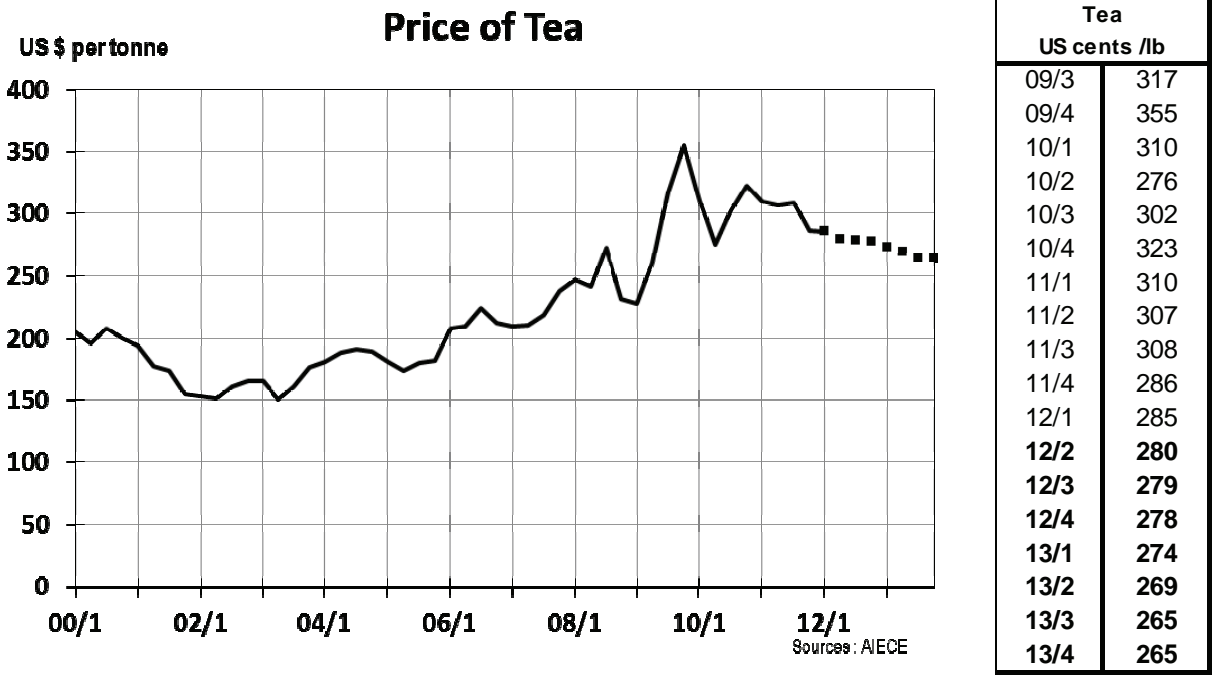
Tea prices have remained alternating on a comparatively high level; nevertheless, they tend to be slightly declining. Since the last report in October 2011 tea prices rose up to 301.6 US-cents/kg at the beginning of October and then fell back to 268.9 US-cents/kg around Christmas time. Today, however, the price is 284.4 US-cents/kg.

The global tea output in 2011 slowed down to a growth rate of estimated 2.8 per cent compared to the previous year. This was mainly due to unfavourable weather conditions in India and particularly in Kenya. In Kenya, the largest black tea exporter, production in 2011 fell by 5 per cent to 377.000 tonnes. In the first quarter of 2012 production is forecast to be even weaker compared to the corresponding period in the previous year. In consequence the output for 2012 is expected to fall by 2 per cent in Kenya, which, however, is likely to be compensated by higher output in Sri Lanka,

thanks to a higher rate of replanting. In 2011 China's output remained strong and is expected to grow steadily. Assuming normal weather conditions, it is likely that the global production in 2012 will rise. Demand for tea rose steadily by an annual average of over 3 per cent during the last decade. However, the global tea consumption in 2011 slowed down to 2.3 per cent and is predicted to remain at this level over the next year. The rise of consumption is mainly supported by increasing demand in Asia, which accounts for around 50 per cent of the global consumption.

Population growth, higher standard of living and structural changes in consumption patterns are the driving force of Asian demand. However, global economic developments have an impact on Asian economies. As a result, the growth in demand from Asia is weaker and is likely to stay moderate until 2013. Demand in developed economies is still constrained by saturated markets and weak or falling real wages, as reported in the global wage report of the ILO (International Labour Organisation).

With a slowing consumption growth and an increasing competition among exporting countries for market shares, as reflected by Vietnam's growing exports and China's efforts to boost output for export, it is unlikely that demand will outgrow supply. In the end, moderately declining price levels can be expected in 2012 and 2013.



Sugar

World sugar prices have declined significantly since autumn as expected and are now trading around 30 per cent below their peak valuations registered in the first half of 2011. The decline of prices can be explained by market fundamentals as two years of high prices have triggered a supply response and

led to a substantial surplus in the market, although reduced buying of financial investors may also have contributed as has the gradual strengthening of the US-Dollar.

Global raw sugar production in the 2011/12 market year (October to September) is currently expected to increase to 177 million tons (+7 per cent). From a regional perspective, the increase is mainly due to higher production in Asia, especially India, and Europe, while output in Latin America, particularly Brazil, was below pre-year's level, although the decline in Brazilian production was less pronounced than had been expected half a year ago. With 2011/12 being the second consecutive year of substantial excess production, inventories have been replenished and the stocks-to-use ratio, which had fallen to historically low levels of around 35 per cent over the preceding years, has recovered to a more normal level of 42 per cent. This is against the background of global sugar consumption which is expected to expand at robust rates of around 2.5 per cent per annum this year and is expected to slow only slightly in response to the moderation of global economic growth. Consumption tends to be more responsive to changes in income than prices (witness the decline in consumption in 2008/09), and growth is taking place in the developing world whereas per capita consumption of sugar is on a secular declining trend in the developed countries.

With consumption growth remaining substantial and production growth slowing in response to lower prices, we expect the world sugar market to be somewhat more balanced in the market year 2012/13. This should support prices as does increased input costs. Fundamental support should continue to come from rising demand for sugar cane based ethanol, especially given the relaxation of import restrictions in the U.S. and limited potential for further expansion of production of biofuels from sources such as maize and rape seeds. We forecast that the level of sugar prices remains high and project an increase of prices by 8 per cent next year following a decline by 17 per cent this year.

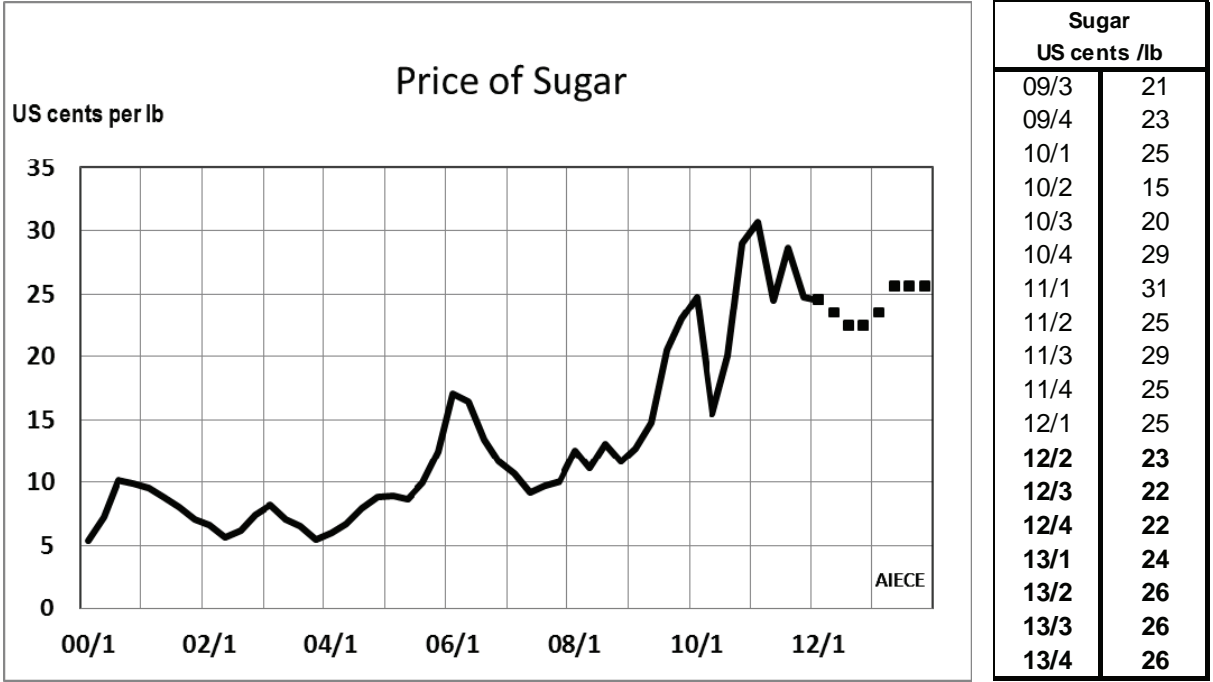


Table 7 Food and tropical beverages (US\$ terms)																				
Commodity		10/3	10/4	11/1	11/2	11/3	11/4	12/1	12/2	12/3	12/4	13/1	13/2	13/3	13/4	2010	2011	2012	2013	
Food total		101	118	135	134	130	116	117	120	122	124	125	128	128	129	100	129	121	128	
		<i>14</i>	<i>17</i>	<i>14</i>	<i>-1</i>	<i>-3</i>	<i>-11</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>11</i>	<i>29</i>	<i>-6</i>	<i>6</i>	
Cereals		102	125	145	150	143	131	131	134	138	140	141	143	143	143	100	142	136	143	
		<i>22</i>	<i>22</i>	<i>16</i>	<i>4</i>	<i>-5</i>	<i>-8</i>	<i>0</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>9</i>	<i>42</i>	<i>-4</i>	<i>5</i>	
Barley	CAN	101	115	126	133	133	134	137	140	144	144	147	147	147	147	100	132	141	147	
		<i>10</i>	<i>14</i>	<i>10</i>	<i>5</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>24</i>	<i>32</i>	<i>7</i>	<i>4</i>	
Maize	US	99	131	156	170	161	145	149	154	159	161	164	166	166	166	100	158	156	165	
		<i>19</i>	<i>32</i>	<i>19</i>	<i>9</i>	<i>-5</i>	<i>-10</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>1</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>15</i>	<i>58</i>	<i>-2</i>	<i>6</i>	
Wheat	US	111	125	146	144	129	113	113	115	116	118	118	120	120	120	100	133	115	119	
		<i>39</i>	<i>13</i>	<i>16</i>	<i>-1</i>	<i>-10</i>	<i>-12</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>9</i>	<i>33</i>	<i>-13</i>	<i>3</i>	
Rice	THAI	93	105	104	99	112	123	109	110	111	113	114	115	115	115	100	110	111	114	
		<i>2</i>	<i>13</i>	<i>-1</i>	<i>-5</i>	<i>13</i>	<i>9</i>	<i>-11</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>-10</i>	<i>10</i>	<i>1</i>	<i>3</i>	
Tropical beverages, sugar		102	114	132	130	128	113	108	105	106	107	109	112	113	114	100	126	106	112	
		<i>14</i>	<i>12</i>	<i>16</i>	<i>-2</i>	<i>-1</i>	<i>-11</i>	<i>-5</i>	<i>-2</i>	<i>0</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>21</i>	<i>26</i>	<i>-15</i>	<i>5</i>	
Coffee	US,D,F	107	117	144	152	143	130	122	119	120	123	125	127	128	129	100	142	121	127	
		<i>19</i>	<i>10</i>	<i>23</i>	<i>6</i>	<i>-6</i>	<i>-9</i>	<i>-7</i>	<i>-2</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>28</i>	<i>42</i>	<i>-15</i>	<i>5</i>	
Cocoa	US	98	95	107	98	97	79	75	75	76	76	79	79	80	82	100	95	75	80	
		<i>-5</i>	<i>-3</i>	<i>13</i>	<i>-8</i>	<i>-1</i>	<i>-19</i>	<i>-5</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>3</i>	<i>0</i>	<i>2</i>	<i>2</i>	<i>8</i>	<i>-5</i>	<i>-21</i>	<i>6</i>	
Tea (avg)	ALL	100	107	102	101	102	95	94	92	92	92	90	89	87	87	100	100	93	89	
		<i>10</i>	<i>7</i>	<i>-4</i>	<i>-1</i>	<i>0</i>	<i>-7</i>	<i>0</i>	<i>-2</i>	<i>0</i>	<i>0</i>	<i>-2</i>	<i>-2</i>	<i>-2</i>	<i>0</i>	<i>4</i>	<i>0</i>	<i>-7</i>	<i>-4</i>	
Sugar	US	90	130	137	110	128	111	110	105	100	100	105	115	115	115	100	122	104	112	
		<i>30</i>	<i>44</i>	<i>6</i>	<i>-20</i>	<i>17</i>	<i>-14</i>	<i>-1</i>	<i>-4</i>	<i>-5</i>	<i>0</i>	<i>5</i>	<i>9</i>	<i>0</i>	<i>0</i>	<i>25</i>	<i>22</i>	<i>-15</i>	<i>8</i>	
Oil seeds, vegetable oils		99	118	131	127	124	109	118	125	129	132	132	134	135	137	100	123	126	134	
		<i>8</i>	<i>19</i>	<i>11</i>	<i>-3</i>	<i>-2</i>	<i>-12</i>	<i>9</i>	<i>6</i>	<i>3</i>	<i>2</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>3</i>	<i>23</i>	<i>3</i>	<i>7</i>	
Soybeans	US	98	119	132	130	129	112	121	127	132	136	136	138	140	141	100	126	129	139	
		<i>7</i>	<i>21</i>	<i>11</i>	<i>-2</i>	<i>0</i>	<i>-13</i>	<i>8</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>3</i>	<i>26</i>	<i>3</i>	<i>7</i>	
Soybean meal	US	100	113	123	118	118	101	113	121	126	129	129	132	133	134	100	115	122	132	
		<i>7</i>	<i>13</i>	<i>9</i>	<i>-4</i>	<i>0</i>	<i>-14</i>	<i>12</i>	<i>7</i>	<i>4</i>	<i>3</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>-6</i>	<i>15</i>	<i>6</i>	<i>8</i>	
Soybean oil	US	96	121	136	136	133	121	126	131	133	134	134	136	136	137	100	131	131	136	
		<i>5</i>	<i>27</i>	<i>12</i>	<i>0</i>	<i>-3</i>	<i>-9</i>	<i>5</i>	<i>4</i>	<i>2</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>18</i>	<i>31</i>	<i>0</i>	<i>3</i>	

Appendix tables

Trade Forecasts

Import volumes of goods

(annual percentage change)

	Weights	2011	2012	2013
World	100,0	6,0	4,1	5,5
Advanced economies	54,2	4,5	2,0	4,1
Euro Area	25,9	4,2	0,0	3,8
Austria	1,0	7,5	3,7	5,7
Belgium	2,0	5,4	0,0	3,0
Germany	7,1	8,9	3,5	6,0
Spain	2,2	1,3	-11,0	-1,0
Finland	0,5	6,2	0,5	3,6
France	4,1	5,4	0,7	5,0
Greece	0,4	-8,1	-9,8	-8,0
Ireland	0,9	-3,8	-1,0	1,1
Italy	3,3	2,1	-2,2	2,9
Luxembourg	0,4	2,0	-1,0	4,0
Netherlands	2,8	4,0	2,0	4,5
Portugal	0,4	-6,8	-6,0	1,5
Slovenia	0,2	5,7	2,9	4,7
United Kingdom	3,8	0,5	2,0	3,0
Sweden	1,1	6,8	-1,0	5,7
Denmark	0,7	4,9	0,9	3,0
Switzerland	1,3	2,3	3,4	8,3
United States	12,2	5,7	4,0	4,5
Japan	4,3	3,7	5,0	4,0
Australia	1,4	9,1	9,0	7,0
New Zealand	0,2	6,0	5,0	6,0
Canada	2,6	6,7	5,5	3,0
Norway	0,6	5,0	1,0	5,0
Iceland	0,0	3,8	3,0	7,0
Emerging Economies	45,8	7,7	6,5	7,1
C+E Europe	8,3	10,5	7,0	6,0
Poland	1,1	5,6	5,0	4,5
Hungary	0,6	7,0	4,0	5,5
Czech Republic	0,8	6,7	2,0	4,0
Emerging Asia	24,9	6,4	6,2	7,0
China	8,6	10,0	8,0	9,0
NIEs	9,3	2,8	5,0	6,0
Other Asia	7,1	6,9	5,5	6,0
Latin America	5,6	10,0	6,5	9,0
Africa + Middle East	6,9	7,0	7,0	7,0

Export volumes of goods
(annual percentage change)

	Weights	2011	2012	2013
World	100,0	6,1	4,0	5,6
Advanced economies	51,6	5,9	3,1	5,0
Euro Area	26,0	6,8	2,6	5,0
Austria	1,1	7,5	3,5	6,0
Belgium	2,0	5,0	1,5	5,5
Germany	7,8	9,0	3,0	5,3
Spain	2,0	9,0	2,0	5,0
Finland	0,5	2,1	2,5	4,5
France	3,4	4,4	2,8	5,3
Greece	0,3	4,0	3,0	4,5
Ireland	1,1	4,8	3,0	4,5
Italy	3,1	7,8	2,8	4,8
Luxembourg	0,5	6,1	3,0	4,5
Netherlands	3,0	6,0	2,5	4,7
Portugal	0,4	7,5	1,5	4,5
Slovenia	0,2	7,7	3,8	6,0
United Kingdom	3,4	5,5	2,0	4,5
Sweden	1,2	8,5	-0,5	4,5
Denmark	0,8	6,0	1,5	3,0
Switzerland	1,6	5,1	2,3	4,9
United States	9,4	7,5	5,5	6,0
Japan	4,2	0,0	4,0	5,0
Australia	1,5	1,2	2,0	4,5
New Zealand	0,2	5,5	1,5	4,0
Canada	2,4	4,9	3,5	4,5
Norway	0,9	-2,7	1,0	1,5
Iceland	0,0	1,1	1,5	2,5
Emerging Economies	48,4	6,3	4,9	6,4
C+E Europe	8,7	8,0	4,0	6,0
Poland	1,0	8,1	7,5	7,0
Hungary	0,6	10,0	8,0	7,0
Czech Republic	0,8	9,5	4,0	6,0
Emerging Asia	25,8	6,9	5,3	7,0
China	9,5	9,7	6,5	8,0
NIEs	9,7	5,5	5,0	6,0
Other Asia	6,6	5,0	4,0	7,0
Latin America	5,5	6,0	5,5	6,0
Africa + Middle East	8,5	2,8	4,5	5,0

Import prices of goods (in national currency)
(annual percentage change)

	Weights	2011	2012	2013
World	100,0	9,5	2,5	1,5
Advanced economies	54,2	6,9	2,3	1,5
Euro Area	25,9	6,7	2,5	1,6
Austria	1,0	7,0	2,5	1,5
Belgium	2,0	6,8	2,5	2,0
Germany	7,1	5,7	2,0	1,5
Spain	2,2	9,2	3,0	2,0
Finland	0,5	8,7	2,3	1,0
France	4,1	5,9	1,5	1,5
Greece	0,4	7,9	2,5	1,5
Ireland	0,9	2,3	3,5	2,0
Italy	3,3	11,1	4,7	1,5
Luxembourg	0,4	4,0	2,5	1,0
Netherlands	2,8	5,5	2,0	1,5
Portugal	0,4	9,0	3,5	2,0
Slovenia	0,2	7,0	2,5	2,0
United Kingdom	3,8	9,0	2,5	1,5
Sweden	1,1	0,0	1,0	1,5
Denmark	0,7	6,6	1,5	1,0
Switzerland	1,3	-1,8	-2,1	-0,7
United States	12,2	8,8	2,5	1,5
Japan	4,3	9,0	4,0	1,5
Australia	1,4	2,1	1,0	1,5
New Zealand	0,2	10,2	2,0	1,5
Canada	2,6	3,3	1,0	1,5
Norway	0,6	4,2	3,0	2,0
Iceland	0,0	11,2	4,0	1,5
Emerging Economies*	45,8	12,6	2,8	1,6
C+E Europe*	8,3	13,0	1,0	1,0
Poland	1,1	8,9	5,0	2,0
Hungary	0,6	5,0	7,0	2,0
Czech Republic	0,8	2,5	5,0	2,0
Emerging Asia*	24,9	13,1	3,6	1,7
China	8,6	8,4	1,0	2,0
NIEs*	9,3	15,0	5,0	1,5
Other Asia*	7,1	15,0	5,0	1,5
Latin America*	5,6	10,5	2,5	1,5
Africa + Middle East*	6,9	12,0	2,0	2,0

* Prices in USD

Import prices of goods (in USD)

(annual percentage change)

	Weights	2011	2012	2013
World	100,0	11,9	0,1	1,5
Advanced economies	54,2	11,3	-2,1	1,4
Euro Area	25,9	11,3	-4,5	1,6
Austria	1,0	11,7	-4,6	1,5
Belgium	2,0	11,6	-4,6	2,0
Germany	7,1	10,5	-5,1	1,5
Spain	2,2	14,0	-4,1	2,0
Finland	0,5	13,5	-4,8	1,0
France	4,1	10,7	-5,6	1,5
Greece	0,4	12,7	-4,6	1,5
Ireland	0,9	7,1	-3,6	2,0
Italy	3,3	15,9	-2,4	1,5
Luxembourg	0,4	8,8	-4,6	1,0
Netherlands	2,8	10,3	-5,1	1,5
Portugal	0,4	13,8	-3,6	2,0
Slovenia	0,2	11,8	-4,6	2,0
United Kingdom	3,8	12,6	-3,4	1,5
Sweden	1,1	9,8	-4,4	1,5
Denmark	0,7	11,3	-5,3	1,0
Switzerland	1,3	13,2	-6,9	-0,7
United States	12,2	8,8	2,5	1,5
Japan	4,3	18,1	-0,1	0,3
Australia	1,4	13,0	2,2	1,5
New Zealand	0,2	19,0	4,4	1,5
Canada	2,6	7,3	-0,6	1,5
Norway	0,6	11,5	0,0	2,0
Iceland	0,0	16,1	-5,7	1,5
Emerging Economies	45,8	12,6	2,8	1,6
C+E Europe	8,3	13,0	1,0	1,0
Poland	1,1	1,6	5,0	2,0
Hungary	0,6	-6,8	7,0	2,0
Czech Republic	0,8	-4,9	5,0	2,0
Emerging Asia	24,9	13,1	3,6	1,7
China	8,6	9,4	1,0	2,0
NIEs	9,3	15,0	5,0	1,5
Other Asia	7,1	15,0	5,0	1,5
Latin America	5,6	10,5	2,5	1,5
Africa + Middle East	6,9	12,0	2,0	2,0

Export prices of goods (in national currency)

(annual percentage change)

	Weights	2011	2012	2013
World	100,0	9,7	2,4	1,6
Advanced economies	51,6	5,1	1,7	1,5
Euro Area	26,0	4,9	2,0	1,6
Austria	1,1	3,9	0,5	1,3
Belgium	2,0	5,3	2,2	1,5
Germany	7,8	3,0	1,0	2,0
Spain	2,0	5,7	2,5	1,5
Finland	0,5	5,7	0,7	0,1
France	3,4	3,7	1,5	1,0
Greece	0,3	9,0	3,0	0,0
Ireland	1,1	2,0	0,0	1,0
Italy	3,1	6,8	4,3	2,5
Luxembourg	0,5	5,9	2,0	2,0
Netherlands	3,0	10,1	4,0	2,0
Portugal	0,4	6,2	2,0	1,0
Slovenia	0,2	4,5	3,0	3,5
United Kingdom	3,4	5,7	1,0	0,5
Sweden	1,2	-1,8	1,0	1,5
Denmark	0,8	5,1	1,6	1,3
Switzerland	1,6	-3,9	-2,1	-0,2
United States	9,4	7,7	1,0	1,5
Japan	4,2	-2,0	2,0	1,0
Australia	1,5	14,1	2,0	4,0
New Zealand	0,2	3,9	2,0	2,0
Canada	2,4	8,0	3,0	1,0
Norway	0,9	17,3	5,0	1,0
Iceland	0,0	5,7	4,0	1,0
Emerging Economies*	48,4	14,5	3,2	1,7
C+E Europe*	8,7	17,5	4,5	2,0
Poland	1,0	6,6	0,0	1,0
Hungary	0,6	3,0	0,0	1,0
Czech Republic	0,8	3,6	0,0	1,0
Emerging Asia*	25,8	10,9	2,0	1,8
China	9,5	4,9	2,0	2,0
NIEs*	9,7	9,5	1,3	1,7
Other Asia*	6,6	15,0	1,7	1,5
Latin America*	5,5	15,5	3,5	2,0
Africa + Middle East*	8,5	22,0	5,5	1,0

* Prices are in USD

Export prices of goods (in USD)

(annual percentage change)

	Weights	2011	2012	2013
World	100,0	12,1	0,0	1,5
Advanced economies	51,6	9,9	-3,0	1,4
Euro Area	26,0	9,6	-4,9	1,7
Austria	1,1	8,6	-6,6	1,3
Belgium	2,0	10,1	-4,9	1,5
Germany	7,8	7,8	-6,1	2,0
Spain	2,0	10,4	-4,6	1,5
Finland	0,5	10,5	-6,4	0,1
France	3,4	8,5	-5,6	1,0
Greece	0,3	13,8	-4,1	0,0
Ireland	1,1	6,8	-7,1	1,0
Italy	3,1	11,6	-2,8	2,5
Luxembourg	0,5	10,7	-5,1	2,0
Netherlands	3,0	14,9	-3,1	2,0
Portugal	0,4	10,9	-5,1	1,0
Slovenia	0,2	9,3	-4,1	3,5
United Kingdom	3,4	9,3	-4,9	0,5
Sweden	1,2	8,0	-4,4	1,5
Denmark	0,8	9,8	-5,2	1,3
Switzerland	1,6	11,1	-6,9	-0,2
United States	9,4	7,7	1,0	1,5
Japan	4,2	7,1	-2,1	-0,2
Australia	1,5	25,0	3,2	4,0
New Zealand	0,2	12,7	4,4	2,0
Canada	2,4	12,0	1,4	1,0
Norway	0,9	24,6	2,0	1,0
Iceland	0,0	10,6	-5,7	1,0
Emerging Economies	48,4	14,5	3,2	1,7
C+E Europe	8,7	17,5	4,5	2,0
Poland	1,0	8,4	-7,3	1,0
Hungary	0,6	6,4	-11,8	1,0
Czech Republic	0,8	11,0	-7,4	1,0
Emerging Asia	25,8	10,9	2,0	1,8
China	9,5	9,4	3,0	2,0
NIEs	9,7	9,5	1,3	1,7
Other Asia	6,6	15,0	1,7	1,5
Latin America	5,5	15,5	3,5	2,0
Africa + Middle East	8,5	22,0	5,5	1,0

Merchandise trade balance current prices \$ bln

	2005	2006	2007	2008	2009	2010	2011	2012	2013
World	-262,1	-210,6	-243,0	-376,4	-144,0	-148,3	-248,5	-293,1	-268,4
Advanced economies	-748,0	-888,7	-901,9	-1028,5	-530,5	-671,0	-843,0	-825,5	-786,6
Euro Area	75,8	37,4	68,7	-21,3	73,4	50,5	63,1	158,1	227,5
Austria	-2,1	-0,5	0,9	-3,2	-6,0	-6,2	-12,7	-16,5	-17,5
Belgium	16,4	15,5	19,9	5,3	17,0	16,1	15,8	20,6	31,0
Germany	198,6	205,3	270,2	260,7	194,2	211,1	224,9	200,8	213,4
Spain	-97,3	-115,9	-136,8	-140,8	-66,3	-72,7	-67,6	-22,1	-6,1
Finland	7,1	8,6	8,7	6,2	1,9	0,8	-4,4	-3,9	-4,1
France	-40,0	-45,4	-70,0	-100,1	-75,3	-84,9	-115,6	-98,6	-106,4
Greece	-36,7	-42,4	-54,4	-65,3	-48,3	-41,7	-28,7	-20,9	-16,0
Ireland	40,6	35,5	37,4	41,1	52,8	55,4	60,3	58,4	63,2
Italy	-12,0	-24,3	-12,9	-18,8	-9,8	-42,2	-34,4	-9,2	6,1
Luxembourg	-3,7	-4,7	-5,6	-7,0	-4,4	-5,7	-7,5	-6,4	-6,4
Netherlands	42,3	46,3	57,6	57,9	54,1	57,6	62,5	76,6	86,0
Portugal	-25,2	-25,9	-29,5	-37,1	-27,4	-26,7	-21,3	-15,9	-15,3
Slovenia	-1,0	-0,8	-1,3	-2,8	-0,3	-0,9	-0,6	-0,2	0,8
United Kingdom	-128,9	-151,8	-184,3	-172,1	-129,0	-154,8	-162,2	-167,2	-172,6
Sweden	19,5	20,5	15,7	14,9	11,1	9,7	11,4	11,8	10,4
Denmark	9,3	6,7	4,8	7,0	10,8	12,3	15,4	15,5	16,5
Switzerland	4,4	7,6	11,6	18,3	18,9	20,3	30,0	26,6	22,2
United States	-788,5	-838,5	-830,4	-828,8	-504,1	-646,9	-737,7	-785,2	-808,6
Japan	77,3	66,7	92,0	17,9	25,8	74,2	-33,2	-59,1	-57,7
Australia	-13,0	-9,7	-16,1	-4,0	-3,5	19,4	36,6	24,0	26,2
New Zealand	-4,5	-4,0	-3,8	-3,6	-0,5	1,0	0,6	-0,7	-1,4
Canada	46,5	38,6	40,1	46,6	-5,1	-4,1	2,2	2,1	6,9
Norway	48,4	58,3	55,9	80,4	45,9	53,8	68,5	72,3	69,9
Iceland	-1,9	-2,7	-2,2	-0,7	0,4	0,6	0,3	0,2	0,0
Emerging Economies	485,9	678,1	658,9	652,1	386,5	522,7	594,5	558,8	556,7
C+E Europe	113,7	133,1	115,0	168,5	95,3	150,3	210,5	230,5	255,5
Poland	-11,9	-16,0	-25,3	-37,6	-12,7	-18,1	-19,8	-40,1	-39,9
Hungary	-3,8	-3,0	-0,1	-0,5	5,1	7,0	9,3	-6,1	-6,0
Czech Republic	1,4	1,6	4,0	4,3	7,5	6,0	10,2	-5,2	-4,0
Emerging Asia	124,8	200,4	264,7	158,2	206,4	164,1	22,9	-97,2	-100,9
China	100,8	175,6	260,0	297,8	196,5	182,1	156,2	180,0	178,9
NIEs	52,5	51,9	54,6	-4,6	64,4	60,1	48,7	-8,5	-5,3
Other Asia	-7,7	2,9	1,9	-19,8	12,8	2,6	-38,6	-75,7	-74,0
Latin America	37,1	48,9	30,8	-23,8	15,7	-0,9	5,1	5,2	-20,9
Africa + Middle East	420,7	591,3	496,9	698,6	138,3	418,6	711,7	801,4	778,4

Commodity price indices

Commodity	Weight	11/1	11/2	11/3	11/4	12/1	12/2	12/3	12/4	13/1	13/2	13/3	13/4	2010	2011	2012	2013
All commodities¹	100	126	136	128	125	134	137	134	134	135	134	134	135	100	129	135	134
		15	8	-5	-3	7	3	-3	0	0	0	0	0	29	29	5	0
Total excl. energy	20,8	123	125	121	105	107	108	110	112	114	116	117	118	100	118	109	116
		10	2	-4	-13	2	1	1	2	2	2	1	1	30	18	-8	6
Food total	5,5	135	134	130	116	117	120	122	124	125	128	128	129	100	129	121	128
		14	-1	-3	-11	1	2	2	2	1	2	1	1	11	29	-6	6
Cereals	1,4	145	150	143	131	131	134	138	140	141	143	143	143	100	142	136	143
		16	4	-5	-8	0	2	2	1	1	1	0	0	9	42	-4	5
Tropical beverages, sugar	2,1	132	130	128	113	108	105	106	107	109	112	113	114	100	126	106	112
		16	-2	-1	-11	-5	-2	0	1	2	2	1	1	21	26	-15	5
Oilseeds, vegetable oils	1,9	131	127	124	109	118	125	129	132	132	134	135	137	100	123	126	134
		11	-3	-2	-12	9	6	3	2	0	2	1	1	3	23	3	7
Industrial raw materials	15,4	119	122	117	101	103	104	105	107	110	112	113	113	100	114	105	112
		8	3	-4	-14	2	1	1	2	2	2	1	1	39	14	-8	7
Agricultural raw materials	4,3	115	117	113	100	97	98	99	100	101	102	103	104	100	111	98	103
		6	2	-3	-12	-3	1	0	1	1	1	1	1	34	11	-11	4
Textile fibres	0,2	174	176	134	119	121	114	112	112	112	109	108	109	100	150	115	109
		36	1	-24	-11	2	-6	-2	0	0	-3	-1	1	49	50	-24	-5
Wood products	3,1	101	107	106	96	92	93	94	96	97	98	99	101	100	101	94	99
		-3	6	-1	-9	-5	2	1	1	1	1	1	1	24	1	-8	5
Non-ferrous metals	7,9	121	119	112	95	102	103	106	110	114	117	118	119	100	126	106	112
		9	-1	-6	-15	7	1	3	4	4	3	1	1	21	26	-15	5
Ferrous raw materials ²	3,2	118	135	135	114	114	115	112	110	111	111	112	112	100	125	113	111
		9	14	0	-15	0	1	-2	-2	0	0	0	0	48	25	-10	-1
Energy raw materials	79,2	126	139	131	130	141	145	140	140	140	139	139	139	100	131	142	139
		17	10	-6	0	8	3	-3	0	0	-1	0	0	28	31	8	-2
Coal ³	4,5	129	124	124	116	115	110	110	105	105	100	100	105	100	123	110	102
		18	-4	0	-6	-1	-5	0	-4	0	-4	0	4	38	23	-11	-7
Crude oil	74,6	126	139	131	131	142	147	142	142	142	141	141	141	100	132	143	142
		17	10	-6	0	9	4	-4	0	0	-1	0	0	28	32	9	-1

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

Commodity	Weight	11/1	11/2	11/3	11/4	12/1	12/2	12/3	12/4	13/1	13/2	13/3	13/4	2010	2011	2012	2013
All commodities¹	100	122	125	120	123	135	140	136	137	137	137	137	137	100	122	137	137
		15	3	-4	2	10	4	-3	0	0	0	0	0	36	22	12	0
Total excl. energy	20.8	119	115	113	103	108	109	111	113	115	117	118	119	100	112	110	117
		9	-3	-2	-9	5	1	1	2	2	2	1	1	37	12	-2	7
Food total	5.5	131	124	122	114	119	122	124	127	128	130	131	132	100	123	123	130
		13	-6	-1	-7	4	3	2	2	1	2	1	1	17	23	0	6
Cereals	1.4	140	139	134	129	133	137	140	142	144	146	146	146	100	135	138	145
		15	-1	-3	-4	3	3	2	1	1	1	0	0	14	35	2	5
Tropical beverages, sugar	2.1	128	119	120	111	109	108	108	109	112	114	115	116	100	120	108	114
		15	-7	1	-7	-2	-1	0	1	2	2	1	1	27	20	-10	5
Oilseeds, vegetable oils	1.9	128	117	116	107	119	127	132	134	134	137	138	139	100	117	128	137
		11	-8	-1	-8	12	7	3	2	0	2	1	1	9	17	10	7
Industrial raw materials	15.4	115	112	110	98	104	105	106	108	111	113	113	115	100	109	106	113
		8	-3	-2	-10	5	1	1	2	2	2	1	1	47	9	-3	7
Agricultural raw materials	4.3	111	107	105	97	97	100	101	102	103	104	105	106	100	105	100	105
		5	-3	-2	-8	0	3	0	1	1	1	1	1	42	5	-5	5
Textile fibres	0.2	168	162	126	117	123	117	114	114	114	111	110	111	100	143	117	111
		35	-3	-23	-7	5	-5	-2	0	0	-3	-1	1	57	43	-18	-5
Wood products	3.1	97	97	98	93	91	95	96	98	99	100	101	103	100	96	95	101
		-3	1	1	-5	-2	4	1	1	1	1	1	1	31	-4	-1	6
Non-ferrous metals	7.9	117	110	105	94	103	102	106	110	114	117	118	120	100	107	105	117
		9	-6	-4	-11	10	-1	3	4	3	3	1	2	45	7	-1	11
Ferrous raw materials ²	3.2	114	124	126	112	114	117	115	112	113	113	114	114	100	119	115	113
		8	9	2	-11	3	3	-2	-2	0	0	0	0	57	19	-3	-1
Energy raw materials	79.2	122	128	122	128	142	148	143	143	143	142	142	142	100	125	144	142
		16	4	-4	4	11	4	-3	0	0	-1	0	0	36	25	15	-1
Coal ³	4.5	125	114	116	114	116	112	112	107	107	102	102	107	100	117	112	104
		17	-9	2	-2	2	-4	0	-4	0	-4	0	4	45	17	-5	-6
Crude oil	74.6	122	128	123	129	144	150	145	145	145	144	144	144	100	125	146	144
		16	5	-4	5	12	4	-3	0	0	-1	0	0	36	25	16	-1

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

Commodity		11/1	11/2	11/3	11/4	12/1	12/2	12/3	12/4	13/1	13/2	13/3	13/4	2010	2011	2012	2013
Index in US\$ terms, 2010=100, percentage change on previous period																	
Barley	CAN	126	133	133	134	137	140	144	144	147	147	147	147	100	132	141	147
		10	5	0	1	2	2	2	0	2	0	0	0	24	32	7	4
Maize	USA	156	170	161	145	149	154	159	161	164	166	166	166	100	158	156	165
		19	9	-5	-10	3	3	3	2	1	2	0	0	15	58	-2	6
Rice	THAI	104	99	112	123	109	110	111	113	114	115	115	115	100	110	111	114
		-1	-5	13	9	-11	1	1	2	1	1	0	0	-10	10	1	3
Wheat	US	146	144	129	113	113	115	116	118	118	120	120	120	100	133	115	119
		16	-1	-10	-12	0	2	1	1	0	1	0	0	9	33	-13	3
Coffee	US,D,F	144	152	143	130	122	119	120	123	125	127	128	129	100	142	121	127
		23	6	-6	-9	-7	-2	1	2	2	1	1	1	28	42	-15	5
Cocoa	US	107	98	97	79	75	75	76	76	79	79	80	82	100	95	75	80
		13	-8	-1	-19	-5	0	2	0	3	0	2	2	8	-5	-21	6
Tea	avg	102	101	102	95	94	92	92	92	90	89	87	87	100	100	93	89
		-4	-1	0	-7	0	-2	0	0	-2	-2	-2	0	4	0	-7	-4
Sugar	US	137	110	128	111	110	105	100	100	105	115	115	115	100	122	104	112
		6	-20	17	-14	-1	-4	-5	0	5	9	0	0	25	22	-15	8
Soybeans	US	132	130	129	112	121	127	132	136	136	138	140	141	100	126	129	139
		11	-2	0	-13	8	5	4	2	0	2	1	1	3	26	3	7
Soybean meal	US	123	118	118	101	113	121	126	129	129	132	133	134	100	115	122	132
		9	-4	0	-14	12	7	4	3	0	2	1	1	-6	15	6	8
Soybean oil	US	136	136	133	121	126	131	133	134	134	136	136	137	100	131	131	136
		12	0	-3	-9	5	4	2	1	0	1	0	1	18	31	0	3
Cotton	US	192	179	113	102	99	89	91	93	95	91	89	89	100	146	93	91
		40	-7	-37	-9	-3	-10	2	2	2	-4	-2	0	64	46	-36	-2
Wool	AUS	149	173	163	143	152	149	141	138	136	133	133	136	100	157	145	134
		29	16	-6	-12	6	-2	-5	-2	-2	-2	0	2	32	57	-7	-7
Natural rubber	THAI	155	140	135	107	109	111	109	112	113	113	113	116	100	134	110	114
		24	-10	-3	-21	1	2	-2	3	1	0	0	2	81	34	-18	3
Softwood	S	98	104	103	95	91	93	94	95	97	98	100	101	100	100	93	99
		-4	7	-1	-8	-4	2	1	2	2	1	1	1	14	0	-7	6
Woodpulp	FIN	102	108	107	95	89	91	93	93	94	95	96	97	100	103	92	96
		0	6	-1	-11	-6	2	1	1	1	1	1	1	42	3	-11	5
Aluminium	GB	115	120	110	96	100	92	96	101	106	110	113	115	100	110	97	111
		7	4	-8	-13	4	-8	5	5	5	4	2	2	30	10	-12	14
Copper	GB	128	122	119	99	110	113	114	118	120	121	120	118	100	117	114	120
		12	-5	-2	-17	11	2	1	3	2	1	-1	-2	46	17	-3	5
Lead	GB	121	119	115	92	97	107	117	133	128	133	133	139	100	112	114	133
		9	-2	-4	-20	6	9	10	14	-4	4	0	4	24	12	2	17
Nickel	GB	123	112	101	84	90	96	97	97	103	105	108	119	100	105	95	109
		14	-10	-9	-17	7	7	1	0	6	3	3	10	48	5	-9	14
Tin	GB	146	141	121	102	112	114	117	119	121	121	120	118	100	128	116	120
		15	-3	-14	-16	10	2	3	2	1	0	-1	-2	51	28	-9	4
Zinc	GB	111	104	103	88	94	97	102	112	117	122	127	132	100	102	101	125
		4	-6	-1	-15	7	3	5	10	5	4	4	4	30	2	-1	23
Iron ore	BRA	119	143	142	113	114	117	113	109	109	109	109	109	100	129	113	109
		8	20	-1	-20	1	2	-3	-4	0	0	0	0	62	29	-13	-4
Steel scrap	US	115	115	119	116	113	112	112	113	115	117	119	119	100	116	112	117
		13	0	3	-2	-3	-1	0	1	1	1	2	0	23	16	-3	4
Steel scrap	EU	115	115	119	116	113	112	112	113	115	117	118	118	100	116	112	117
		13	0	3	-2	-3	-1	0	1	2	1	1	0	23	16	-4	4
Steam coal	AUS	129	122	123	116	115	109	109	104	104	98	98	103	100	122	109	101
		18	-5	1	-5	-1	-5	0	-5	0	-5	0	5	37	22	-11	-7
Steam coal	SA	132	132	127	116	115	111	111	109	109	106	106	109	100	127	111	107
		17	0	-3	-9	-1	-3	0	-2	0	-3	0	3	42	27	-12	-4
Crude oil	avg	126	139	131	131	142	147	142	142	142	141	141	141	100	132	143	142
		17	10	-6	0	9	4	-4	0	0	-1	0	0	28	32	9	-1

Commodity		11/1	11/2	11/3	11/4	12/1	12/2	12/3	12/4	13/1	13/2	13/3	13/4	2010	2011	2012	2013
Barley	CAN	126	133	133	134	137	140	144	144	147	147	147	147	100	125	144	150
		10	5	0	1	2	2	2	0	2	0	0	0	31	25	14	4
Maize	USA	156	170	161	145	149	154	159	161	164	166	166	166	100	151	159	169
		19	9	-5	-10	3	3	3	2	1	2	0	0	20	51	5	7
Rice	THAI	104	99	112	123	109	110	111	113	114	115	115	115	100	105	113	117
		-1	-5	13	9	-11	1	1	2	1	0	0	0	-6	5	8	4
Wheat	US	146	144	129	113	113	115	116	118	118	120	120	120	100	126	117	121
		16	-1	-10	-12	0	2	1	1	0	1	0	0	14	26	-7	3
Coffee	US,D,F	144	152	143	130	122	119	120	123	125	127	128	129	100	135	123	129
		23	6	-6	-9	-7	-2	1	2	2	1	1	1	35	35	-9	5
Cocoa	US	107	98	97	79	75	75	76	76	79	79	80	82	100	90	77	81
		13	-8	-1	-19	-5	0	2	0	3	0	2	2	14	-10	-15	6
Tea	avg	102	101	102	95	94	92	92	92	90	89	87	87	100	95	94	90
		-4	-1	0	-7	0	-2	0	0	-2	-2	-2	0	10	-5	-1	-4
Sugar	US	137	110	128	111	110	105	100	100	105	115	115	115	100	117	107	115
		6	-20	17	-14	-1	-4	-5	0	5	9	0	0	32	17	-9	8
Soybeans	US	132	130	129	112	121	127	132	136	136	138	140	141	100	120	131	142
		11	-2	0	-13	8	5	4	2	0	2	1	1	8	20	10	8
Soybean meal	US	123	118	118	101	113	121	126	129	129	132	133	134	100	110	124	134
		9	-4	0	-14	12	7	4	3	0	2	1	1	-2	10	13	8
Soybean oil	US	136	136	133	121	126	131	133	134	134	136	136	137	100	125	133	138
		12	0	-3	-9	5	4	2	1	0	1	0	1	24	25	7	4
Cotton	US	192	179	113	102	99	89	91	93	95	91	89	89	100	139	95	93
		40	-7	-37	-9	-3	-10	2	2	2	-4	-2	0	73	39	-32	-2
Wool	AUS	149	173	163	143	152	149	141	138	136	133	133	136	100	149	148	137
		29	16	-6	-12	6	-2	-5	-2	-2	-2	0	2	40	49	-1	-7
Natural rubber	THAI	155	140	135	107	109	111	109	112	113	113	113	116	100	128	112	116
		24	-10	-3	-21	1	2	-2	3	1	0	0	2	92	28	-12	4
Softwood	S	98	104	103	95	91	93	94	95	97	98	100	101	100	95	95	101
		-4	7	-1	-8	-4	2	1	2	2	1	1	1	20	-5	-1	6
Woodpulp	FIN	102	108	107	95	89	91	93	93	94	95	96	97	100	98	93	97
		0	6	-1	-11	-6	2	1	1	1	1	1	1	50	-2	-5	5
Aluminium	GB	115	120	110	96	100	92	96	101	106	110	113	115	100	105	99	113
		7	4	-8	-13	4	-8	5	5	5	4	2	2	38	5	-6	14
Copper	GB	128	122	119	99	110	113	114	118	120	121	120	118	100	112	116	122
		12	-5	-2	-17	11	2	1	3	2	1	-1	-2	55	12	4	6
Lead	GB	121	119	115	92	97	107	117	133	128	133	133	139	100	107	116	136
		9	-2	-4	-20	6	9	10	14	-4	4	0	4	32	7	9	17
Nickel	GB	123	112	101	84	90	96	97	97	103	105	108	119	100	100	97	111
		14	-10	-9	-17	7	7	1	0	6	3	3	10	57	0	-3	15
Tin	GB	146	141	121	102	112	114	117	119	121	121	120	118	100	121	118	123
		15	-3	-14	-16	10	2	3	2	1	0	-1	-2	59	21	-3	4
Zinc	GB	111	104	103	88	94	97	102	112	117	122	127	132	100	97	103	127
		4	-6	-1	-15	7	3	5	10	5	4	4	4	38	-3	6	24
Iron ore	BRA	119	143	142	113	114	117	113	109	109	109	109	109	100	122	114	110
		8	20	-1	-20	1	2	-3	-4	0	0	0	0	72	22	-6	-4
Steel scrap	US	115	115	119	116	113	112	112	113	115	117	119	119	100	111	114	119
		13	0	3	-2	-3	-1	0	1	1	1	2	0	30	11	3	5
Steel scrap	EU	115	115	119	116	113	112	112	113	115	117	118	118	100	111	114	119
		13	0	3	-2	-3	-1	0	1	2	1	1	0	30	11	3	5
Steam coal	AUS	129	122	123	116	115	109	109	104	104	98	98	103	100	116	111	103
		18	-5	1	-5	-1	-5	0	-5	0	-5	0	5	44	16	-5	-7
Steam coal	SA	132	132	127	116	115	111	111	109	109	106	106	109	100	120	113	109
		17	0	-3	-9	-1	-3	0	-2	0	-3	0	3	49	20	-6	-4
Crude oil	avg	126	139	131	131	142	147	142	142	142	141	141	141	100	125	146	144
		17	10	-6	0	9	4	-4	0	0	-1	0	0	36	25	16	-1

Table A5 Commodities not included in the HWWI index																
2010=100, percentage change on previous period																
in US\$ terms	11/1	11/2	11/3	11/4	12/1	12/2	12/3	12/4	13/1	13/2	13/3	13/4	2010	2011	2012	2013
Coking coal	118	173	165	149	123	108	108	105	100	100	105	105	100	151	111	102
	8	47	-5	-10	-18	-12	0	-3	-5	0	5	0	11	51	-27	-8
Natural gas	114	124	131	137	135	138	142	150	161	156	154	156	100	126	141	157
	11	9	6	5	-2	3	3	6	7	-3	-2	2	-5	26	12	11
Steel reinforcing rounds	107	114	114	114	114	112	112	112	113	113	113	113	100	112	112	113
	9	7	0	0	0	-2	0	0	1	0	0	0	7	12	0	0
in euro terms																
Coking coal	114	158	154	146	124	110	110	106	101	101	106	106	100	143	112	104
	7	39	-3	-5	-15	-12	0	-3	-5	0	5	0	15	43	-22	-8
Natural gas	110	114	123	135	136	141	145	153	164	159	157	159	100	121	144	160
	10	4	8	10	1	4	3	6	7	-3	-2	2	-1	21	19	11
Steel reinforcing rounds	103	105	107	112	115	114	114	114	115	115	115	115	100	106	114	115
	8	1	2	5	3	-1	0	0	1	0	0	0	13	6	7	1

Table A6 Weights of commodities and commodity groups¹

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\$/shd
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/m ³
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 (HMSI)	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