

## **Commodity price movement in FY25**

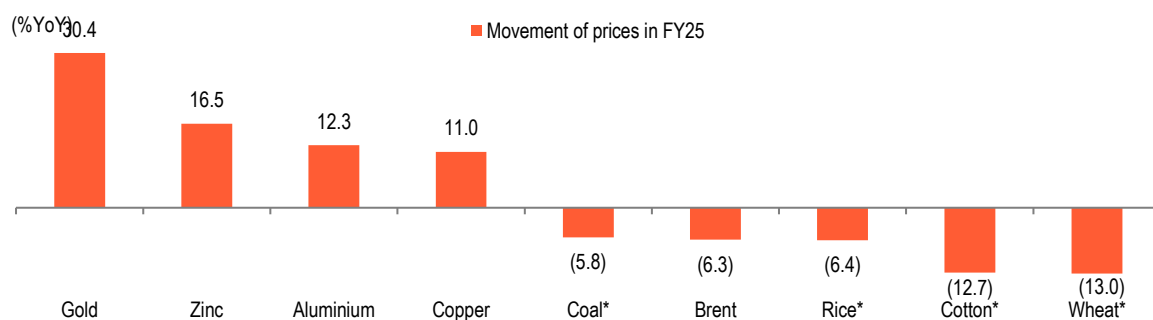
*In the last financial year (Apr'24-Mar'25), it was interesting to see that while metal prices noted some significant increases, energy prices remained muted and agriculture products showed mixed trends. Edible oil prices increased steeply, but prices of rice and wheat remained low. Amongst major metals, gold rose the most and more sharply in H2FY25 (Oct'24-Mar'25), as US Presidential election results increased global growth uncertainties significantly. As President Donald Trump made his intentions clear to levy tariffs on US imports, traders front-loaded their demand to evade the initial impact of tariffs, thus leading to higher demand for metals like aluminium, zinc, and copper. However, the increase has remained range bound as China's economy continues to struggle. Gold prices have flourished in the times of increased economic uncertainties.*

*Agriculture products, particularly oil prices, have been impacted by adverse weather conditions and shift in production towards biodiesel fuels in Indonesia. In contrast, robust production of wheat, rice and cotton led to their prices declining in FY25.*

*Going forward, as uncertainty regarding the trade war and its impact on economic activity is likely to persist for some time, gold prices are expected to remain elevated. However, other metal prices will note some headwinds in in case demand weakens. Pressure on edible oil production is likely to continue this year which will keep their prices higher some time.*

**Winners and losers:** Looking at some of the major commodity prices, we note that items like gold, zinc, aluminium, and copper registered significant in increase in the last fiscal year (Apr'24-Mar'25), while prices of coal, Brent, and agriculture commodities like rice, cotton and wheat registered decline. On an average, gold recorded the maximum increase as prices jumped by 30.4% in FY25. Zinc, aluminium and copper prices also saw double-digit increase. Geo-political uncertainties and front loading of demand by traders ahead of global trade war supported this trend. Wheat (-13%) and cotton (-12.7%) on the other hand, noted most decline in prices, driven higher supplies. Rice also underperformed last year.

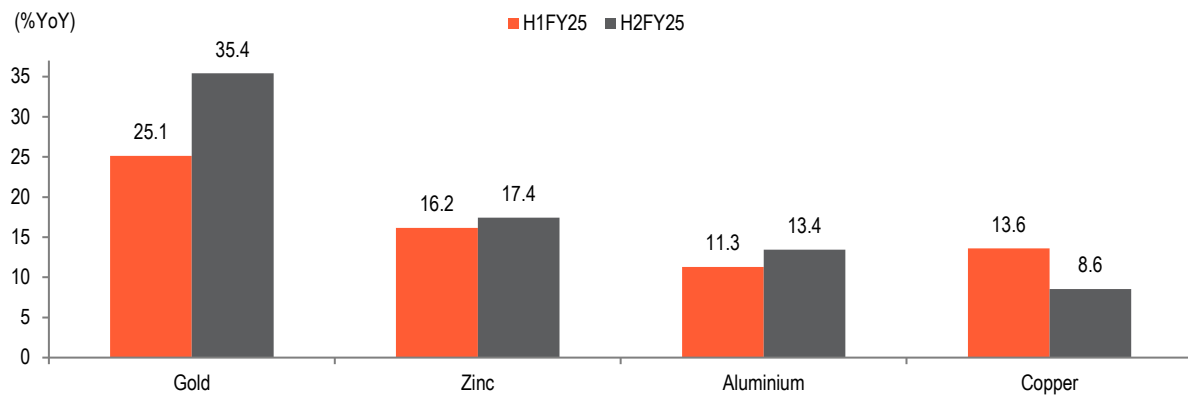
**Figure 1: Major commodity price movement in FY25**



Source: Bloomberg, World Bank Pink Sheet, Bank of Baroda Research | Note: \*Data till Feb'25

**Metal prices:** Observing the monthly trend shows that apart from copper, other metal prices rose more in the second half (H2) of FY25 (Oct'24-Mar'25). Most notable difference is seen in gold prices, which rose by ~25% in H1 and ~35% in H2. Zinc and aluminium prices also rose more in H2. In case of copper, prices rose by double digit (~14%) in H1 by ~9% in H2. From Oct'24 onwards, uncertainty around US Presidential election race began increasing. In the later months, after the results were announced and President Donald Trump signalled that the new administration will focus heavily on tariffs on US imports, metal prices began noting build up in price pressures. Trade data indicated that importers front-loaded demand to avoid tariff pressure in the initial period. Copper prices on the other hand have been impacted by demand concerns on account of China, as growth remains subdued.

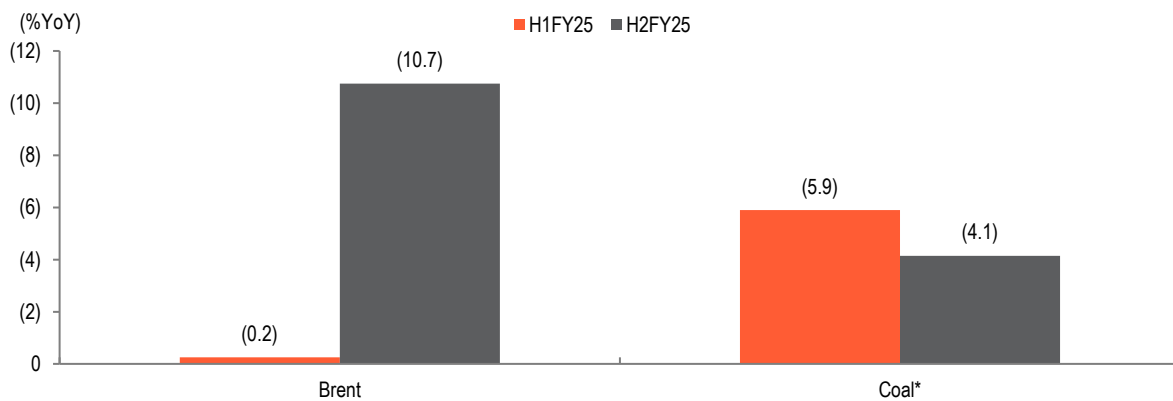
**Figure 2: Metal prices rose more in H2FY25**



Source: Bloomberg, Bank of Baroda Research

**Energy prices:** International crude oil price (Brent) and coal remained declined in FY25. Post the US election results, Brent prices fell more steeply by (-) 10.7% in H2 compared with only (-) 0.2% decline seen between Apr-Sep'24. Impact of tariffs on global demand (US, China and Europe) and rising probability of truce between Ukraine and Russia made an impact on oil prices. Coal prices have fallen on a more consistent basis in both H1 (-5.9%) and H2 (-4.1%) of FY25. Muted demand from China, weak manufacturing activity (which is the main source of demand for electricity) and declining steel production have been the key drivers of this trend.

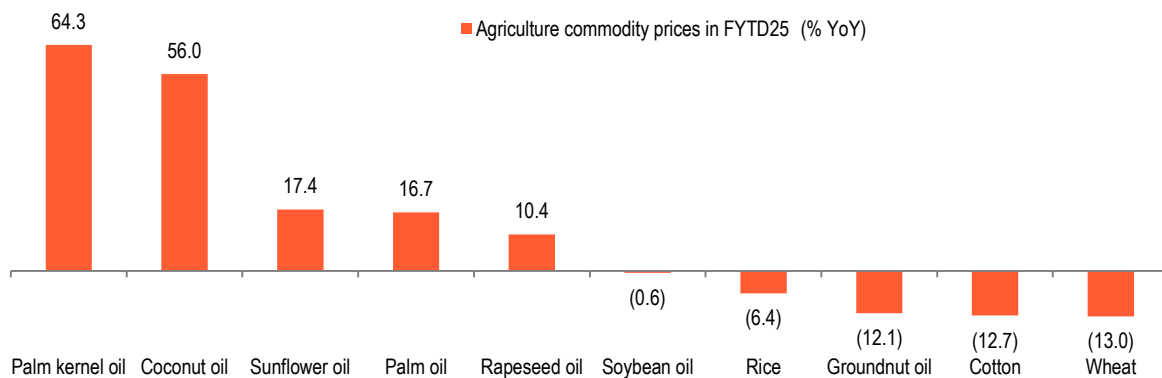
**Figure 3: Brent recorded steep decline in H2FY25**



Source: Bloomberg, Bank of Baroda Research | Note: \*Data till Feb'25

**Agriculture commodity prices:** It was interesting to note that while edible oil prices have registered some significant increase so far (till Feb'25), other food commodities like rice and wheat have suffered. Even cotton prices have been lower. Amongst the edible oils, palm kernel (64.3%), coconut (56%) and sunflower (17.4%) oil rose the most between Apr'24 and Mar'25. Only soybean (-0.6%) and groundnut (-12.1%) oil have recorded a decline so far. Adverse weather conditions (heavy rains in Malaysia) and shift in production towards biodiesel fuels in Indonesia has impacted palm oil prices significantly. Analysts expect this trend to continue, as change in Indonesia appears to be more structural. In case of coconut oil, major producers such as Sri Lanka, Philippines and Indonesia have seen rise in prices of raw coconut amidst adverse weather conditions which has in turn led to increase in oil prices. Higher fertilizer prices have also added to the costs. Major sunflower oil producers—Ukraine and Russia—have seen significant decline in yields. To add to this, draught like conditions in Eastern Europe has had an additional impact on sunflower oil prices in the last fiscal year. In contrast, robust supply of wheat and rice in the global market pushed their prices lower in FY25. Cotton production also surged, leading to lower prices.

**Figure 4: Edible oil prices rose in FYTD25, other commodities declined**



Source: Bloomberg, Bank of Baroda Research | Note: Data till Feb'25

**Outlook for FY26:**

- As uncertainty around global growth continues, particularly led by US and China, energy prices are expected to remain contained in the coming months.
- As the impact of escalated trade war amongst major global economies becomes clear and front loading of demand comes to an end, metal prices may see some headwinds. This will be more the case for items such copper, aluminium and zinc prices.
- However, gold is likely to continue to do well in the times of uncertainty.
- Amongst agriculture products, much will depend on weather conditions this year and input prices (electricity, fertilizers).
- Edible oil prices are expected to remain elevated for some time and downward pressure on wheat and rice prices is also expected to be persistent for now.

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