021

covid-19 Brief

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Changes in global commodity markets and effects on country trade performance: Uganda.

Naomi Mathenge, Ismael Fofana, and Leysa M. Sall

The effects of the COVID-19 pandemic have gone beyond the health sector and have had damaging social and economic consequences. One of the channels through which the effects of the pandemic have been felt is through changes in global commodity markets because of governments' response to curb the spread of the virus. Many governments responded by imposing partial or complete lockdown of their economies thus disrupting the flow of goods and services through disruptions in the supply chain. This led to reduced availability of air cargo and shipping services, changes in port operations due to reduced manpower and operating hours increased delivery time and raised prices of shipping containers due to shortages brought about by restricted movement[1].

In this brief, we assess trade performance in Uganda including changes in prices, global demand, and market access in response to disruptions in primary commodity markets. We do not consider other changes to isolate the changes in global demand and market access in Uganda. We use the difference between two projections reflecting prices under Covid-19 and prices that would have prevailed without the pandemic. The overall impact on trade performance depends on the magnitude of individual commodity price changes and the composition of the basket of commodities traded internationally. Figures 1 and 2 below show that in 2018, primary commodities constituted 72.0 and 44.3 percent of total exports and imports, respectively. Gold and coffee accounted for the largest percentage of primary exports at 16.7 percent and 14.1 percent, respectively. On the imports side, petroleum constitutes the largest share of primary import commodities.

The effects of the COVID-19 pandemic on export and import prices are shown in figures 3 and 4 below. It is evident that there was a reduction in the prices of exports with most of the top 10 primary export commodities experiencing a decline in prices. Petroleum oils experienced the greatest decline (37.5 pp) followed by tea (11.8pp) and coffee (10.2pp). Maize also declined by 7.8pp. However, the prices of export commodities like gold, cane or beet sugar and fish products increased by 9.3, 11.5 and 3.7 percentage points. On the imports side, there were more price increases than declines among the primary commodities, with the highest decline observed again for petroleum oils (-37.5pp) and structures (-14.5pp). The largest increase in the import price of primary commodities were observed for palm oil and its fractions (12.5pp), cane or beet sugar (11.5pp) and gold (9.3pp). The average changes in exports and import prices and the resulting. changes in the values of imports and exports are shown in figure 5. The combined variation in prices of primary commodities translate to an average drop in the export and import price indices by -1.4 and -4.3 percentage points respectively. Ultimately, the COVID-19 pandemic is far more than a health crisis. It affects societies, economies, and vulnerable people in different ways. The final impact depends on the ability of the economy to adjust to the

1 http://www.oecd.org/coronavirus/policy-responses/covid-19-and-inter-national-trade-issues-and-actions-494da2fa/

changing market conditions and responses undertaken. The pandemic is more likely to affect poverty and inequalities. Further details on the impact on growth and poverty of the disruption of global trade in primary commodities are discussed in Brief 022.

Figure 1: *Share of top 10 primary commodity exports in total exports, 2018*

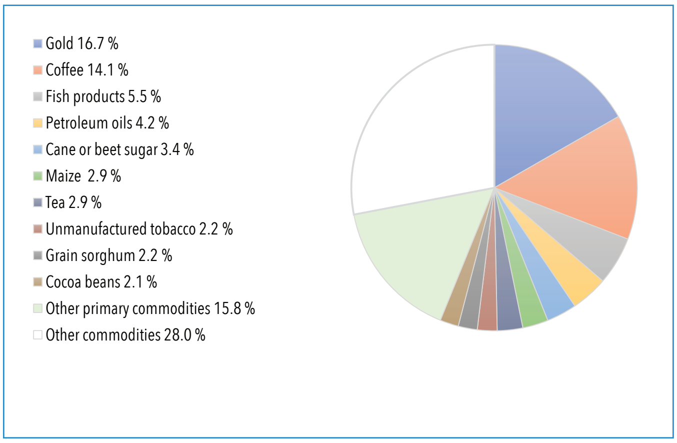
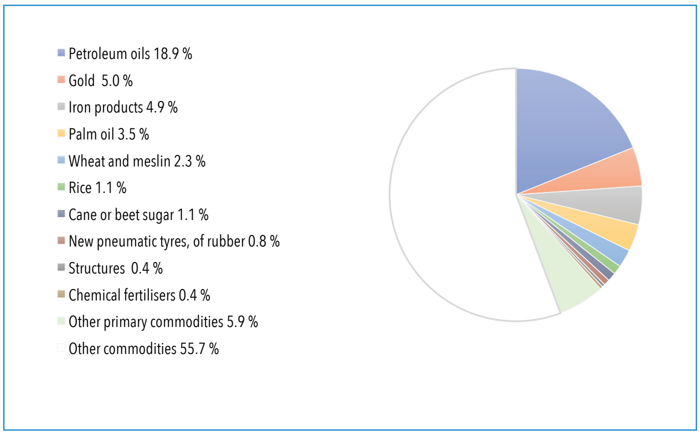


Figure 2: *Share of top 10 primary commodity imports in total imports, 2018*



Source: Computed from United Nations Commodity Trade Database, United Nations DESA

Figure 3: *Changes in the international export prices of primary commodities*

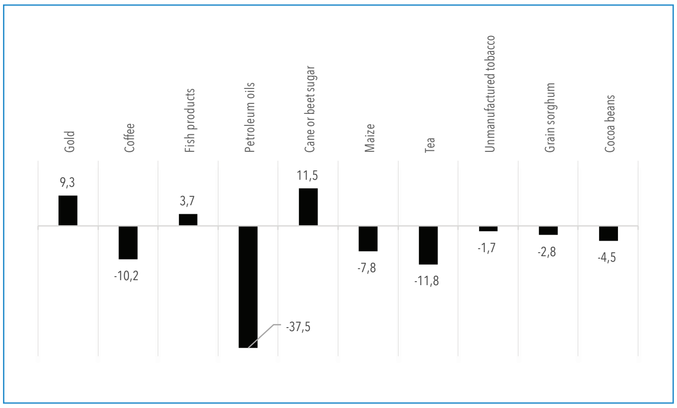
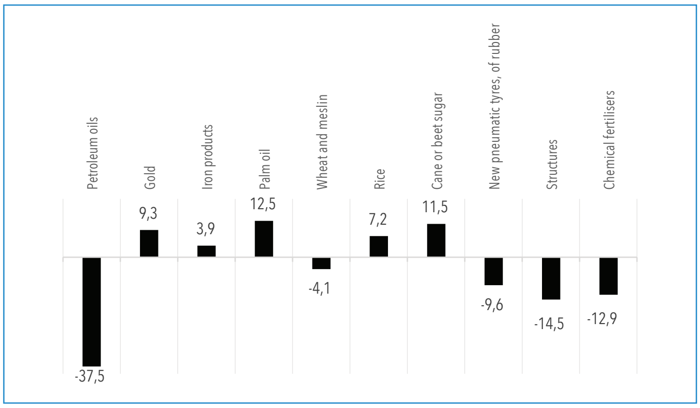
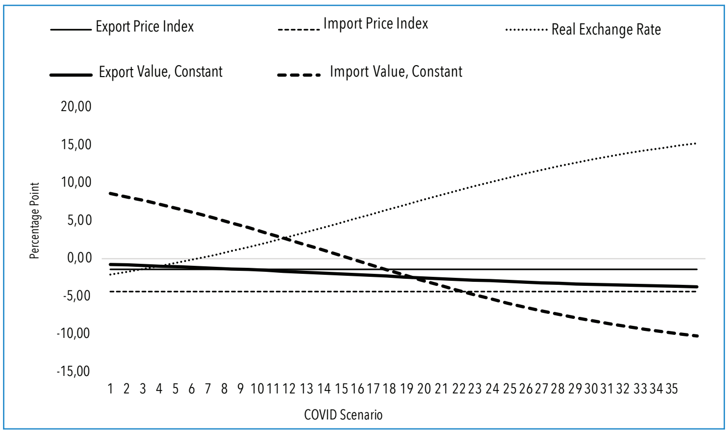


Figure 4: *Changes in the international import prices of primary commodities*



Source: Computed from the Commodity Market Outlook (World Bank)
Note: the changes in predicted prices constitute the difference between price forecast in April 2020 and October 2019.

Figure 5: *Trade effects of the disruption in the Global Commodity Market*



Note: The COVID scenarios (1 to 35) combine different values of trade (import and export) elasticities across commodities to mimic the responsiveness of Uganda's economy to changing global market conditions. Scenario 1 uses the highest and scenario 35 the lowest elasticity values. The remaining scenarios combine different values of elasticities between the two extremes. Export price refers to the average weighted F.O.B. price indexes. Import price refers to the average weighted C.I.F. price indexes. Export and import values are in constant 2019 prices

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a: AKADEMIYA2063 | Kicukiro/Niboye KK 341 St 22 | 1855 Kigali-Rwanda
p: +221 77 761 73 02 | p: +250 788 318 315 | e: hq-offi ce@akademiya2063.org | w: akademiya2063.org