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covid-19 Brief

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

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The consequences of the COVID-19 pandemic have gone far beyond the spread of the disease as measures taken by governments to protect the health of the population can have serious impacts on national and global economies. The pandemic is affecting the economies of many countries through several channels, including through changes in global commodity markets. This brief assesses Cameroon's trade performance in response to disruption in primary commodity markets.

The effect of COVID-19 on global commodity prices is based on forecasts of 46 primary commodities released by the World Bank in October 2019 and April 2020.¹ Basically, we use the difference between the two projections as reflection of changes between prices under COVID-19 and prices that would have prevailed without the pandemic. In addition to changes in prices, countries are also affected by changes in global demand and market access. These changes are the result of measures enacted in response to the pandemic leading to reduced availability of air cargo and shipping services, changes in port and airport operations—from closures to changes in protocols, quarantine, additional documentation requirements, and reduced manpower.²

This analysis focuses exclusively on the impact of the disruption in global commodity trade, that is, of changes in global prices and market access. No other changes are considered to isolate the latter effects. The ultimate impact of global price changes on Cameroon's economy will depend on the magnitude of individual price changes

and composition of the basket of primary commodities internationally traded by the country. As shown in Figures 1 and 3, primary commodities accounted for 92.4 and 43.3 percent of Cameroon's total exports and imports, respectively in 2015, the latest year for which trade data is available. As shown in Figure 2, prices of commodity exports have largely declined in the wake of the COVID pandemic. The hardest hit commodities are petroleum products (-37.5pp), coffee (-10.2 pp), natural rubber (-9.6 pp), aluminum (-8.9 pp), and cotton (-8.2 pp). Rice, other bars and rods of iron, and banana, on the other hand, saw an increase of about 7.2 pp, 3.9, and 1.2 pp respectively. Changes in the prices of commodity imports show similar trends. Petroleum products, as shown in Figure 4, see the largest decline among imports, with 37.5 pp, followed by structures (-14.5 pp) and new pneumatic tyres (-9.6 pp). The largest increase in commodity import prices is observed for palm oil (12.5 pp), cane or beet sugar (11.5 pp), and rice (7.2 pp). Overall, prices of energy, transportation related products, including rubber, have decreased with the pandemic. In the first quarter of 2020, metal prices were greatly affected by the economic slowdown of China which is the main actor in global markets for metals. Regarding agricultural commodities, the prices of most cash crops, such as coffee and cotton, decreased, while other agricultural commodities prices remained stable or had an upward trend. The average change in export and import prices and related changes in export and import values are presented in Figure 5.

¹ World Bank. Commodity Markets. Retrieved on July 2020. www.worldbank.org/en/research/commodity-markets#2

² COVID-19 and international trade: Issues and actions (OECD). Retrieved in July 2020 from www.oecd.org/coronavirus/policy-responses/covid-19-and-international-trade-issues-and-actions-494da2fa. Lower export demand elasticity values are selected to implement the COVID scenario compared to the baseline scenario.

The disruption of global primary commodity trade is a major source of potentially negative effects of the pandemic on the economy. Moreover, the ultimate impact depends on countries' preparedness to respond and adjust effectively to

the changes in global markets conditions. Further details on the impact on growth and poverty of the disruption of global trade in primary commodities are discussed in Brief 024.

Figure 1: Share of Top Ten Primary Commodities in Cameroon's Total Exports

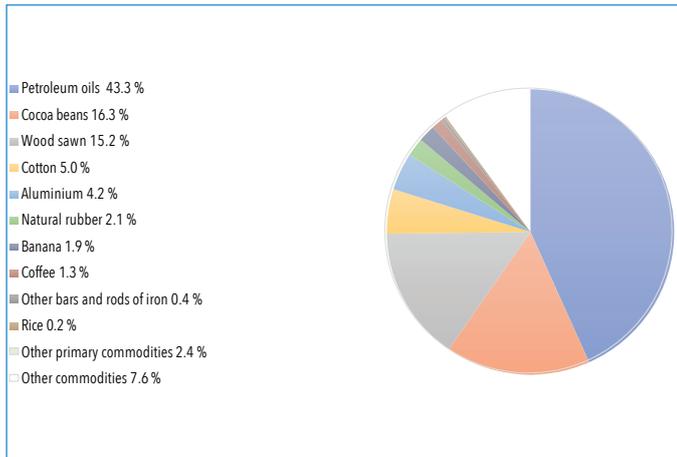


Figure 2: Changes in predicted Prices for Top Ten Primary Commodities Exported by Cameroon

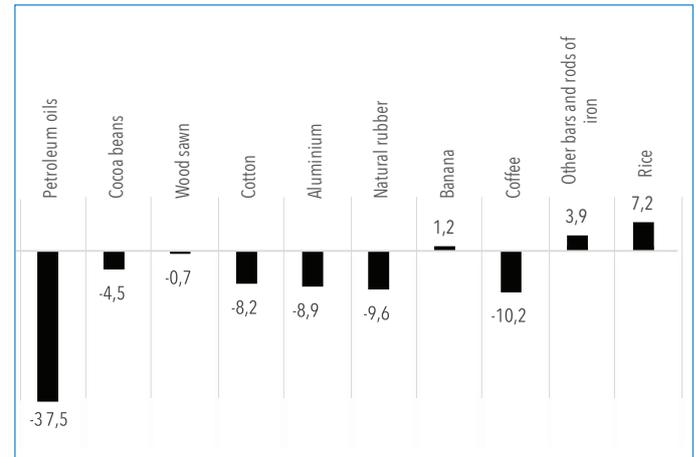


Figure 3: Share of Top Ten Primary Commodities in Cameroon's Total Imports

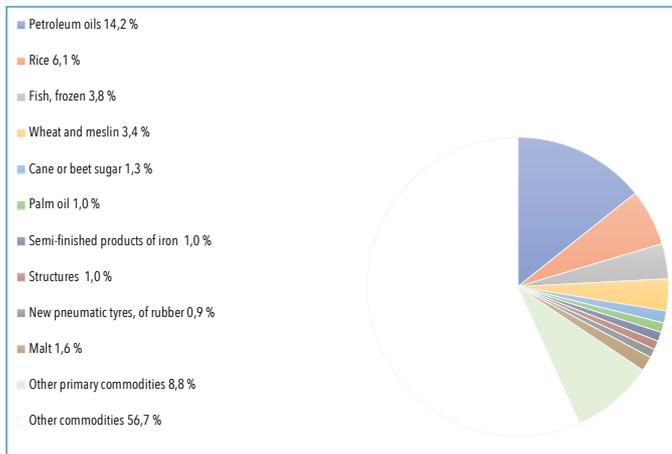
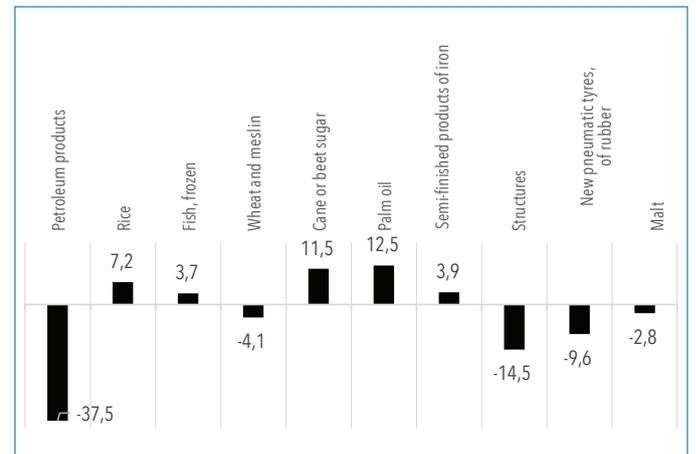


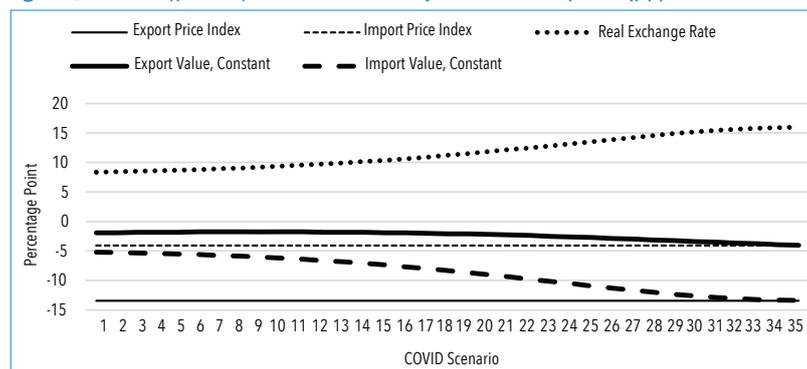
Figure 4: Changes in predicted Prices for Top Ten Primary Commodities Imported by Cameroon



Note: Differences between prices forecast in April 2020 and in October 2019 in pp.

Source: Source: Computation from the World Bank Commodity Price Forecasts, October 2019 and April 2020. Data retrieved on July 2020 from <https://www.worldbank.org/en/research/commodity-markets>

Figure 5: Trade Effects of Global Commodity Market Disruption (pp)



Note: The COVID scenarios (1 to 35) combine different values of trade (import and export) elasticities across commodities to mimic the responsiveness of Cameroon's economy to changing global market conditions. Scenario 1 uses the highest and scenario 35 the lowest elasticity values. The remaining scenarios combine difference 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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