

RBC commodity price index



Index excluding energy product prices



Energy products sub-index



RBC's commodity price index is a Fisher chain-weighted index of spot or transaction prices of 24 of the top exported Canadian-produced commodities. The weight of each commodity in the overall index and various sub-indices is determined by its share of exports and is updated annually in February.

COMMODITY PRICE MONITOR

September 27, 2019

Energy continues to weigh on Commodity Price Index

The 3.2% drop in the RBC Commodity Price Index in August was broadly based, with the largest weight coming from the energy sector. Ex-energy, the index fell 1.5% m/m as all sub-indices except precious metals and agricultural products dipped. The forest products sub-index fell substantially, by 21.5% y/y. Non-precious metals and minerals declined modestly in August, though this sub-index increased 2.5% y/y due to heightened steel demand this year.

- The energy products sub-index declined 4.9% in August.** Natural gas prices plunged to their lowest level in over 3 years, amid high levels of production and unseasonably low demand during peak summer travel season. Crude fell nearly 20% y/y in August due to ongoing weakness in the U.S. oil market exhibited by declining exports. In September, we see prices recover slightly, due to supply concerns following the attack on Saudi Arabian oil supply.¹
- The agricultural products sub index rose 0.4% in August.** Corn prices fell 13.6% m/m, as ethanol futures took a dive in August.² Canola prices fell 12% annually, as China's ban on Canadian canola continues. The sub-index also saw declines in wheat and salmon. Potato prices were up 57.4% annually, and live hog prices increased 37.1% y/y, as the African Swine outbreak in Asia continues to weigh on global pork supply.
- The forest products sub-index dropped 4.1% in August.** Lumber declined 6.7% m/m in August, and 29% y/y, the softest year-over-year decline since March, as U.S. housing starts performed well this past month. Softwood shipments to China picked up, but not enough to offset decline in shipments to Europe and North America. Hardwood shipments were also down.³ Pulp and newspaper prices were stagnant in August.
- The non-precious metals & minerals sub-index fell 3.7% in August.** Iron ore prices fell 22.5% m/m in August after peaking in July, but are still up 38.6% y/y due to persistent strength in Chinese steel mill production. We are now seeing iron ore inventories at Chinese ports and mills decline. Into September we are seeing steel demand negatively impacted by production restrictions in place before October's National Holiday in China.⁴
- The precious metals sub-index rallied 6.4% in August.** Geopolitical uncertainty is still reflected in the widespread gravitation towards gold. Silver prices also increased 14.9% y/y. Overall, the precious metals sub-index was up 24.1% y/y.

Meanwhile, in Canada...

- In August, Canfor and Norbord announced **additional lumber production curtailments** in BC, which took effect at the beginning of September.⁵ Additionally, Interfor announced it will close another sawmill permanently.⁶



RBC commodity price sub-indices

Agricultural products sub-index



Forest products sub-index



Non-precious metals & minerals sub-index



Precious metals sub-index



	Period averages								
	2016	2017	2018	Q4-18	Q1-19	Q2-19	Jun-19	Jul-19	Aug-19
Indices									
RBC commodity price index	171.3	199.6	230.2	214.0	210.9	215.4	209.8	214.8	207.9
<i>Month-over-month/quarter-over-quarter % change</i>				-8.8	-1.4	2.2	-2.2	2.4	-3.2
<i>Year-over-year % change</i>	-4.7	16.5	15.3	0.4	-8.5	-10.8	-13.6	-10.8	-10.5
RBC commodity price index ex. energy	155.0	175.3	190.2	173.7	180.7	179.0	184.5	185.9	183.1
<i>Month-over-month/quarter-over-quarter % change</i>				-7.2	4.0	-0.9	5.9	0.8	-1.5
<i>Year-over-year % change</i>	-1.0	13.1	8.6	-6.6	-7.9	-12.2	-10.0	-4.6	-1.8
Sub-indices									
Agricultural products	117.0	128.5	127.5	121.0	124.8	120.7	124.0	121.4	121.9
<i>Month-over-month/quarter-over-quarter % change</i>				-1.6	3.2	-3.3	5.0	-2.0	0.4
<i>Year-over-year % change</i>	-6.7	9.8	-0.8	-7.7	-5.4	-10.0	-6.1	-3.7	-1.8
Energy products	172.9	206.1	255.1	240.8	221.7	232.7	213.0	221.4	210.5
<i>Month-over-month/quarter-over-quarter % change</i>				-10.9	-7.9	4.9	-10.2	4.0	-4.9
<i>Year-over-year % change</i>	-9.6	19.2	23.8	8.8	-10.5	-11.1	-19.1	-18.8	-20.7
Forest products	111.1	136.1	165.7	132.4	139.3	131.1	141.1	137.1	131.4
<i>Month-over-month/quarter-over-quarter % change</i>				-22.0	5.2	-5.9	13.9	-2.9	-4.1
<i>Year-over-year % change</i>	4.3	22.5	21.8	-13.5	-17.4	-31.7	-28.6	-26.8	-21.5
Non-precious metals & minerals	172.1	193.9	205.6	196.9	200.7	207.3	205.6	212.6	204.7
<i>Month-over-month/quarter-over-quarter % change</i>				-1.5	2.0	3.3	0.1	3.4	-3.7
<i>Year-over-year % change</i>	-8.0	12.7	6.0	-3.0	-5.7	-2.6	-3.9	5.3	2.5
Precious metals	316.7	318.6	318.7	307.5	326.6	326.9	338.6	352.2	374.7
<i>Month-over-month/quarter-over-quarter % change</i>				1.0	6.2	0.1	5.6	4.0	6.4
<i>Year-over-year % change</i>	7.8	0.6	0.0	-4.4	-2.2	-0.5	4.9	13.1	24.1



Commodity prices trends

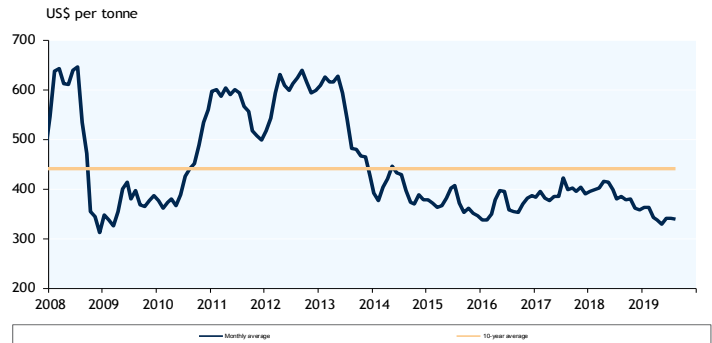
Agricultural products

Barley



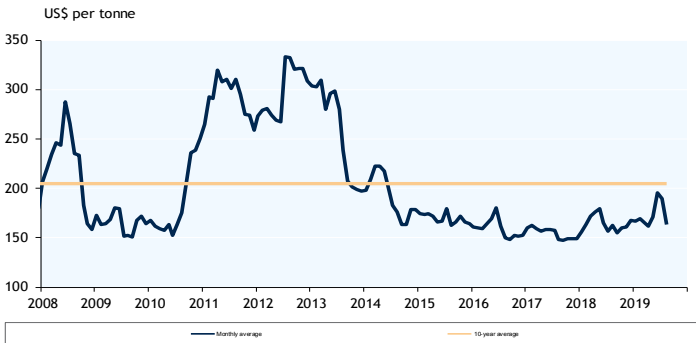
Source: Haver Analytics, RBC Economics Research

Canola



Source: Haver Analytics, RBC Economics Research

Corn



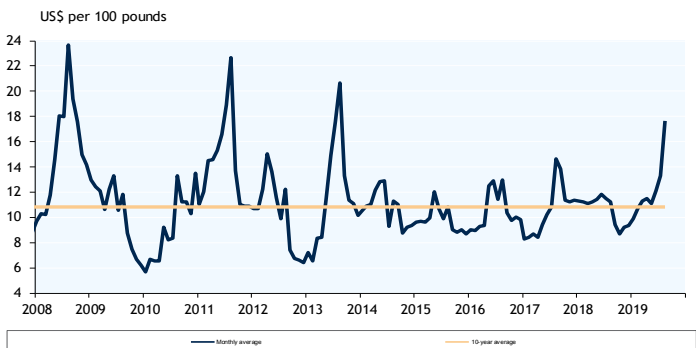
Source: Haver Analytics, RBC Economics Research

Wheat



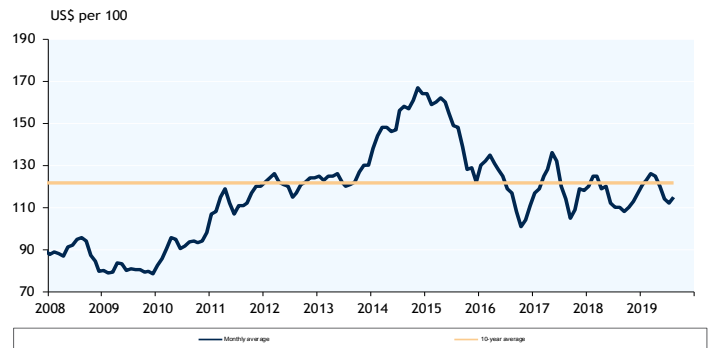
Source: Haver Analytics, RBC Economics Research

Potatoes



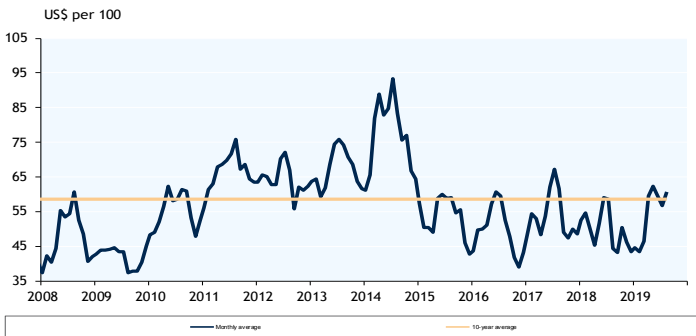
Source: Haver Analytics, RBC Economics Research

Live cattle



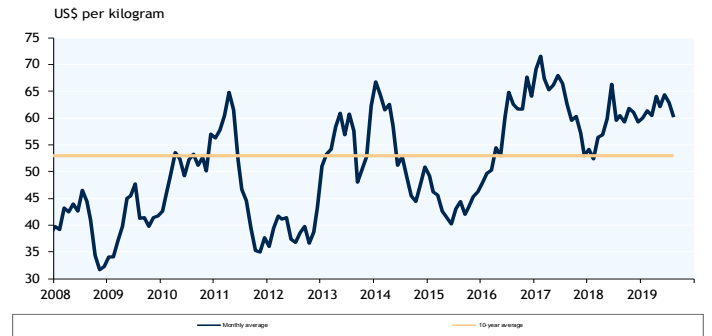
Source: Haver Analytics, RBC Economics Research

Live hogs



Source: Haver Analytics, RBC Economics Research

Salmon



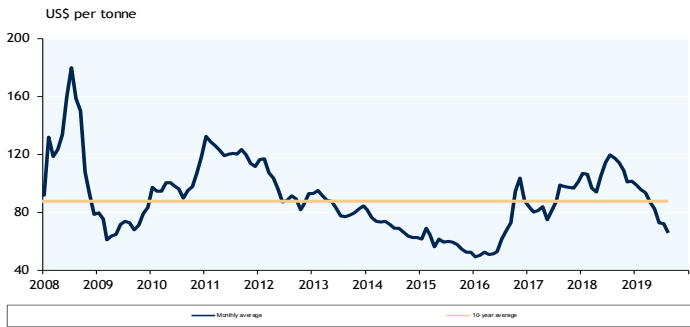
Source: INSEE, RBC Economics Research



Commodity price trends

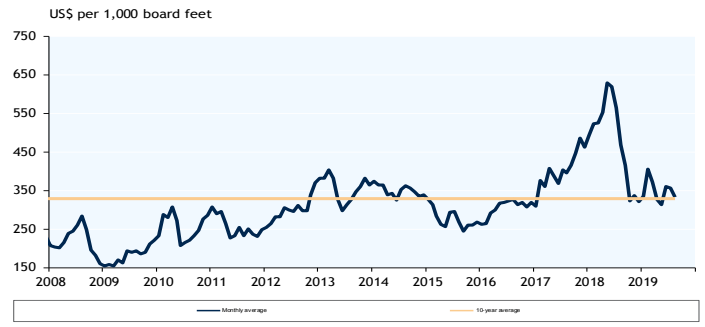
Energy products

Coal

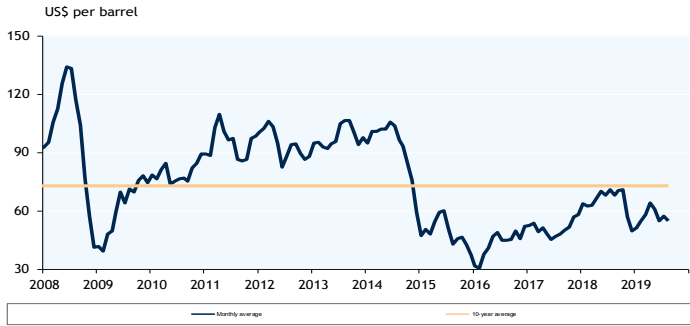


Forest products

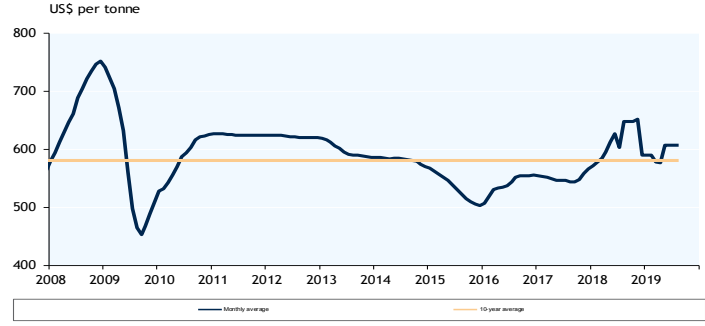
Lumber



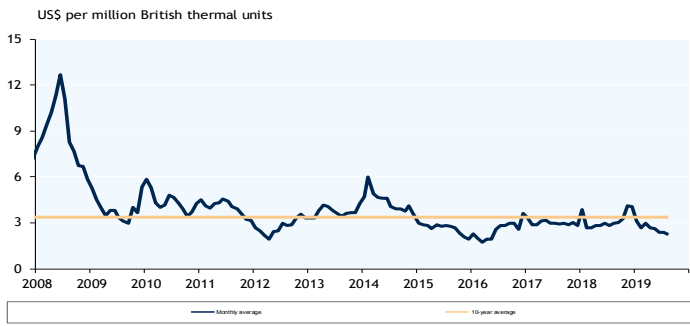
Crude oil (WTI)



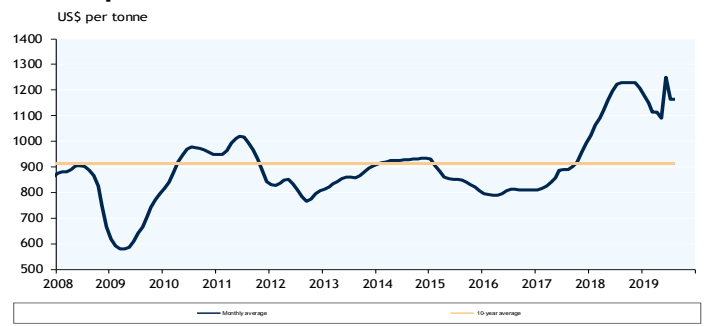
Newsprint



Natural gas

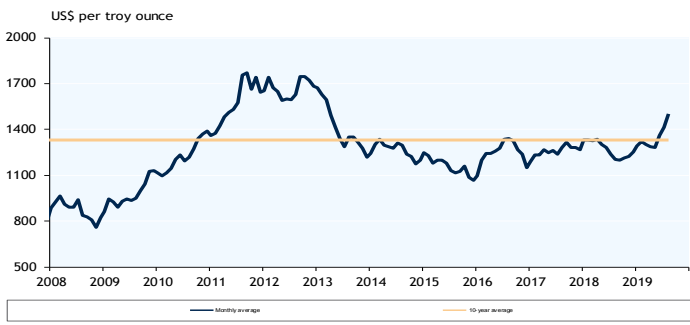


Pulp



Precious metals

Gold



Silver

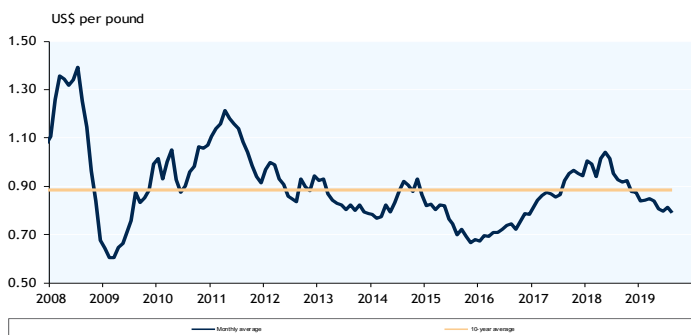




Commodity price trends

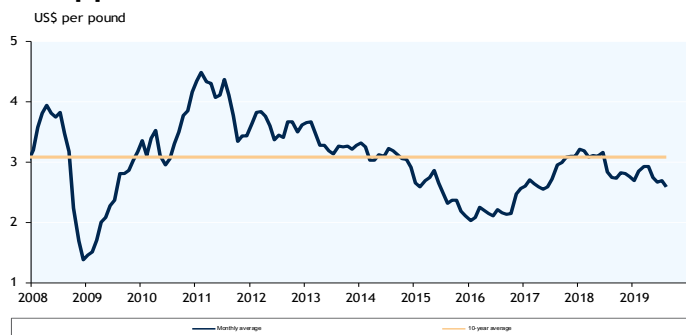
Non-precious metals & minerals

Aluminum



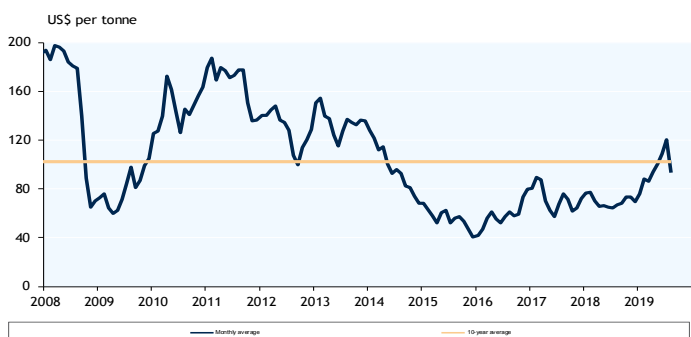
Source: Haver Analytics, RBC Economics Research

Copper



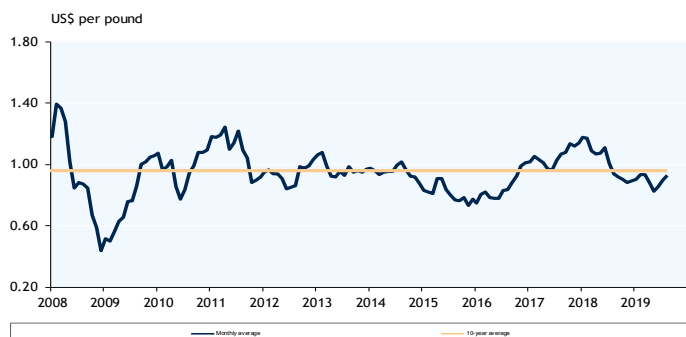
Source: Haver Analytics, RBC Economics Research

Iron ore



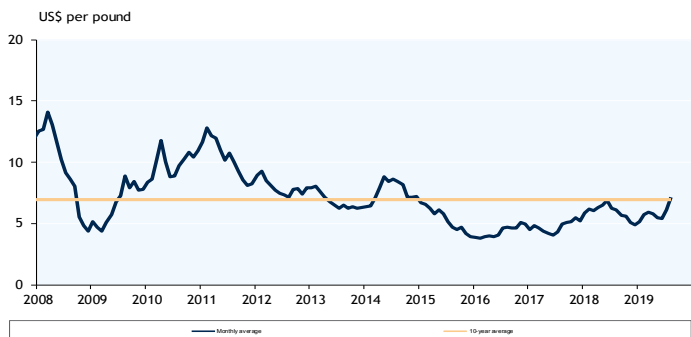
Source: Haver Analytics, RBC Economics Research

Lead



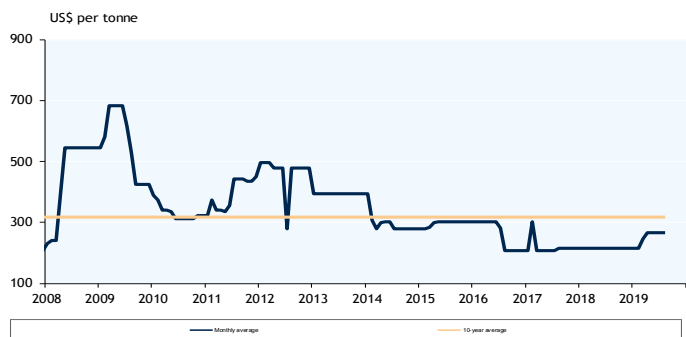
Source: Haver Analytics, RBC Economics Research

Nickel



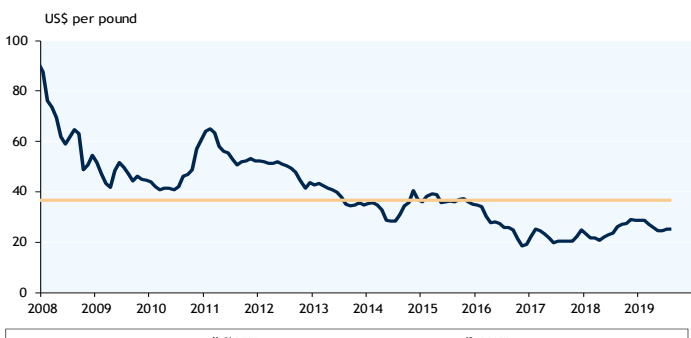
Source: Haver Analytics, RBC Economics Research

Potash



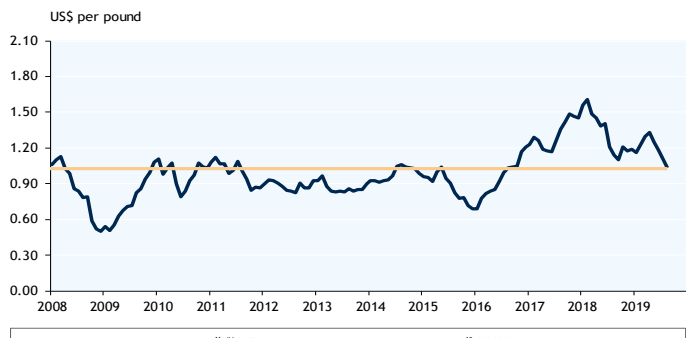
Source: Haver Analytics, RBC Economics Research

Uranium



Source: Haver Analytics, RBC Economics Research

Zinc



Source: Haver Analytics, RBC Economics Research



Commodity price trends

Period averages

	2016	2017	2018	Q4-18	Q1-19	Q2-19	Jun-19	Jul-19	Aug-19
Agricultural products									
Barley (US \$/tonne)	103.9	97.6	125.9	119.4	119.4	145.0	149.3	149.3	136.0
<i>Year-over-year % change</i>	-14.4	-6.0	28.9	10.3	-6.1	10.8	14.0	14.0	6.5
Canola (US \$/tonne)	366.0	393.2	388.6	365.9	356.1	335.5	341.0	341.0	338.3
<i>Year-over-year % change</i>	-1.3	7.4	-1.2	-7.7	-10.6	-18.0	-14.5	-10.3	-12.0
Corn (US \$/tonne)	159.2	154.5	164.4	162.8	167.5	175.9	195.1	189.4	163.6
<i>Year-over-year % change</i>	-6.2	-2.9	6.4	9.4	2.3	1.5	18.2	21.1	0.8
Wheat (US \$/tonne)	221.9	262.8	261.2	252.2	260.4	233.7	242.1	228.2	218.6
<i>Year-over-year % change</i>	-12.2	18.4	-0.6	-8.2	-4.5	-14.8	-8.0	-9.3	-11.6
Potatoes (US \$/cwt)*	10.53	10.55	10.62	9.08	10.63	11.26	12.10	13.30	17.63
<i>Year-over-year % change</i>	7.3	0.2	0.6	-19.7	-5.1	-1.8	2.5	15.7	57.4
Live cattle (US \$/cwt)	120.1	120.2	115.8	113.3	123.3	120.6	114.0	112.0	115.0
<i>Year-over-year % change</i>	-18.8	0.1	-3.7	-1.7	0.0	3.0	1.8	1.8	4.5
Live hogs (US \$/cwt)	49.6	53.6	49.9	46.6	44.8	60.3	59.5	56.6	60.7
<i>Year-over-year % change</i>	-7.3	8.0	-6.9	-4.1	-14.4	16.0	0.7	-3.4	37.1
Salmon (US \$/kg)**	58.16	63.86	58.94	60.70	60.28	63.47	64.30	62.90	60.20
<i>Year-over-year % change</i>	31.8	9.8	-7.7	6.8	11.0	4.0	-3.0	5.7	-0.5
Energy									
Coal (US \$/tonne)	66.1	88.5	107.0	103.6	95.7	80.5	72.5	72.1	65.6
<i>Year-over-year % change</i>	12.2	33.9	20.9	5.5	-7.1	-22.9	-36.6	-39.7	-44.1
Crude Oil (US \$/barrel)	43.1	50.9	64.9	59.1	54.8	59.8	54.7	57.4	54.8
<i>Year-over-year % change</i>	-11.4	17.9	27.6	6.7	-12.8	-12.1	-19.5	-19.2	-19.5
Natural Gas (US \$/mmbtu)	2.49	2.96	3.14	3.80	2.92	2.56	2.40	2.37	2.22
<i>Year-over-year % change</i>	-4.6	18.8	6.1	31.0	-5.3	-10.3	-19.2	-16.3	-25.0
Forest products									
Lumber (US \$/1000 board ft)	305.0	400.9	480.4	326.7	370.4	332.6	359.8	356.0	332.0
<i>Year-over-year % change</i>	10.0	31.4	19.8	-29.6	-27.8	-44.5	-41.8	-36.9	-29.1
Newsprint (US \$/tonne)	539.4	550.3	612.6	629.0	585.0	596.4	606.3	606.3	606.3
<i>Year-over-year % change</i>	1.0	2.0	11.3	12.9	1.3	-2.4	-3.2	0.5	-6.3
Pulp (US \$/tonne)	802.1	882.0	1167.0	1222.7	1147.9	1151.6	1250.0	1163.1	1163.1
<i>Year-over-year % change</i>	-6.4	10.0	32.3	27.9	8.4	-0.6	4.5	-4.8	-5.4

Source: Haver Analytics, Bloomberg, RBC Economics Research; * latest potato price based on percent change in BLS PPI index

**Salmon prices changed to INSEE data



Commodity price trends

	Period averages								
	2016	2017	2018	Q4-18	Q1-19	Q2-19	Jun-19	Jul-19	Aug-19
Non-precious metals & minerals									
Aluminum (US \$/lb)	0.73	0.89	0.96	0.89	0.84	0.81	0.80	0.81	0.79
Year-over-year % change	-3.4	22.7	7.2	-6.3	-13.9	-20.7	-21.7	-14.6	-14.9
Copper (US \$/lb)	2.21	2.80	2.96	2.80	2.82	2.77	2.66	2.69	2.59
Year-over-year % change	-11.5	26.8	5.8	-9.4	-10.7	-11.1	-15.6	-4.9	-5.5
Iron Ore (US \$/tonne)	58.4	71.8	69.8	71.9	83.6	100.9	108.9	120.2	93.1
Year-over-year % change	4.6	22.8	-2.8	8.9	11.9	53.8	67.5	86.2	38.6
Lead (US \$/lb)	0.85	1.05	1.02	0.89	0.92	0.86	0.86	0.90	0.93
Year-over-year % change	4.7	23.9	-3.2	-21.2	-19.3	-21.0	-22.5	-10.8	-1.0
Nickel (US \$/lb)	4.36	4.72	5.95	5.22	5.61	5.56	5.43	6.10	7.11
Year-over-year % change	-18.6	8.4	26.0	-0.6	-6.8	-15.3	-20.8	-2.2	16.7
Zinc (US \$/lb)	0.95	1.31	1.33	1.19	1.23	1.25	1.18	1.11	1.03
Year-over-year % change	8.6	38.3	0.9	-18.7	-21.0	-11.2	-15.8	-8.2	-9.4
Potash (US \$/tonne)	260.3	218.2	215.5	215.5	225.5	265.5	265.5	265.5	265.5
Year-over-year % change	-12.1	-16.2	-1.3	0.0	4.6	23.2	23.2	23.2	23.2
Uranium (US \$/lb)	26.5	22.1	24.5	28.4	28.2	25.0	24.5	25.2	25.3
Year-over-year % change	-28.1	-16.6	11.1	26.7	26.5	13.6	6.1	7.7	-3.0
Precious metals									
Gold (US \$/ounce)	1250.1	1257.8	1268.6	1227.7	1303.7	1308.4	1359.0	1412.9	1500.4
Year-over-year % change	7.9	0.6	0.9	-3.7	-1.9	0.1	6.0	14.2	24.9
Silver (US \$/ounce)	17.2	17.1	15.7	14.6	15.6	14.9	15.0	15.8	17.2
Year-over-year % change	9.4	-0.7	-7.9	-12.8	-6.9	-9.9	-9.1	0.4	14.9

Source: Haver Analytics, Bloomberg, RBC Economics Research

1. RBC Capital Markets, *Follow the Physical Barrel– Saudi Ripple Effect, 10 Days Later*, September 24, 2019.
2. Financial Post, *Corn hits 17-day high on prospects of more ethanol demand*, September 15, 2019.
3. RBC Capital Markets, *Paper & Forest Products*, September 25, 2019.
4. RBC Capital Markets, *Bulking Up*, September 25, 2019.
5. RBC Capital Markets, *Paper, Packaging & Forest Products*, September 1, 2019.
6. RBC Capital Markets, *Paper, Packaging & Forest Products*, September 8, 2019.

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