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covid-19 Brief

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

Ismael Fofana, Leysa M. Sall, Mariam A. Diallo, and Alhassane Camara

The consequences of the COVID-19 pandemic have gone far beyond the spread of the disease as the 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 Guinea'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 two projections reflecting 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 Guinea'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 2, primary commodities accounted for 83.5 and 43.4 percent of

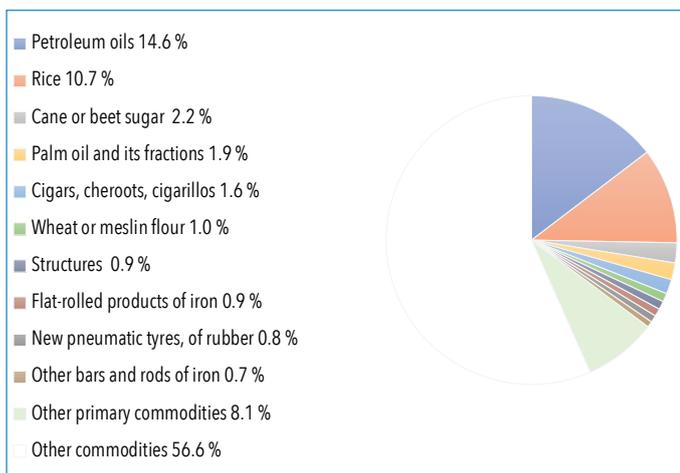
Guinea's total exports and imports, respectively in 2015, the latest year for which trade data is available. Changes in the international prices of commodity exports have largely been negative in the wake of the COVID pandemic (Figure 3). The hardest hit commodities are coffee (-10.2 pp), natural rubber (-9.6 pp), aluminum (-8.9 pp), and cotton (-8.2 pp). Gold and cashew nuts, on the other hand, saw an increase of about 9.3 pp and 8.8 pp respectively. Similar changes are observed for prices of imported commodities. Petroleum oils, for instance, see the largest decline with 37.5 pp, followed by structures (-14.5 pp) and new pneumatic tyres (-9.6 pp). The highest 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 and transportation related products, including rubber, have decreased during the pandemic. Metal prices, in particular, are greatly affected by the economic slowdown of China which is the main player in global markets for metals. When it comes to agricultural products, the prices of most cash crops, such as coffee and cotton, decreased, while other agricultural commodities prices remained stable or experienced an upward trend.

Changes in predicted exported and imported quantities as well as simulated related prices for various degree of responsiveness are presented in Figure 5. Ultimately, the final impact depends on the ability of the economy to adjust to the changing market conditions. The more an economy finds ways to compensate for changes in prices or traded quantities, the more it is likely to minimize the negative impact of global market disruptions on livelihoods. The impact on growth and poverty of the disruption of global trade in primary commodities is discussed in Brief 026.

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

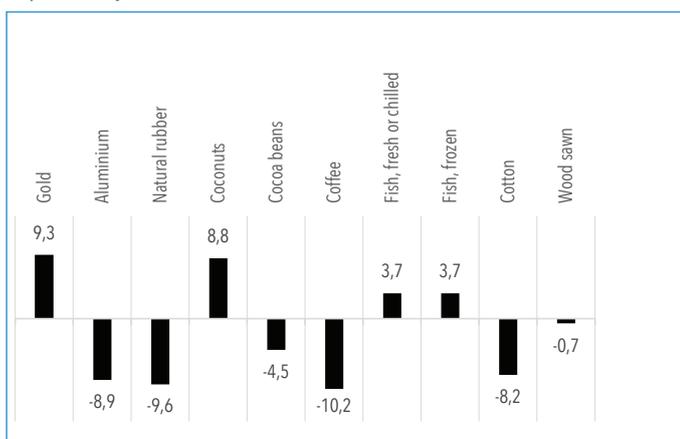
² COVID-19 and international trade: Issues and actions (OECD). Retrieved in July 2020 from www.oecd.org/coronavirus/policy-responses/covid-19-and-international-trade-issues-and-actions-494da2fa. Lower export demand elasticity values are selected to implement the COVID scenario compared to the baseline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

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



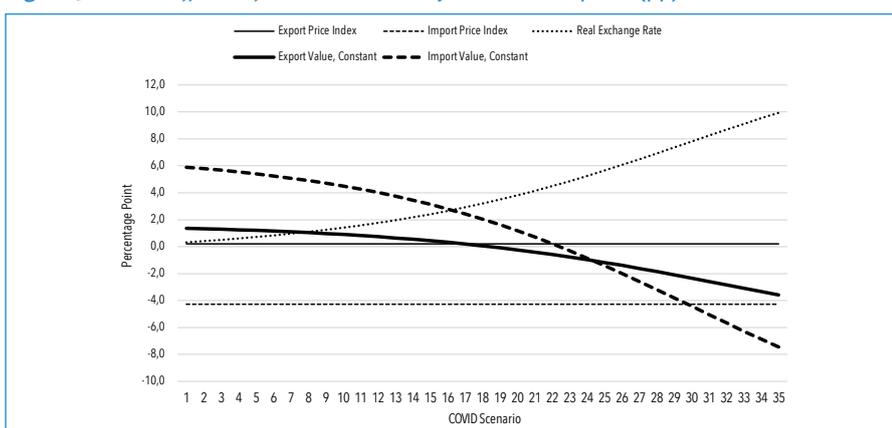
Source: Computed from United Nations Commodities trade Database, United Nations DESA. Data retrieved in July 2020 from <https://comtrade.un.org/data>.

Figure 3: Changes in predicted Prices for Top Ten Primary Commodities Exported by Guinea



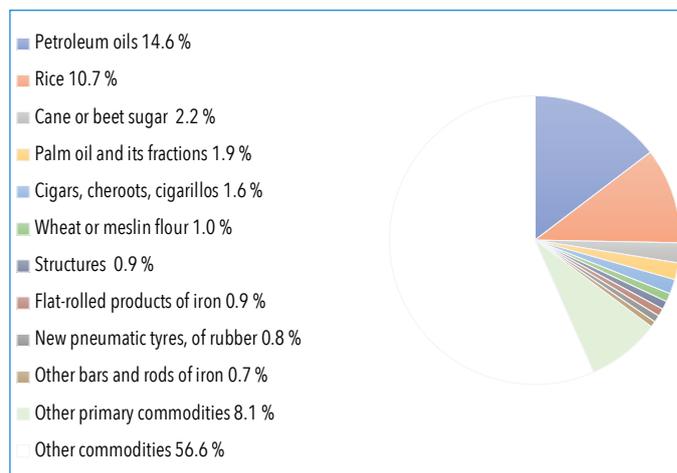
Source: Computed from United Nations Commodities trade Database, United Nations DESA. Data retrieved in July 2020 from <https://comtrade.un.org/data>.

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



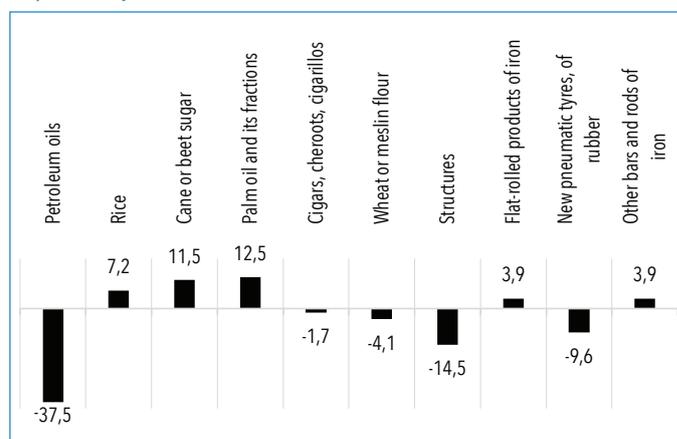
Note: The COVID scenarios (1 to 35) combine different values of trade (import and export) elasticities across commodities to mimic the responsiveness of Guinea's economy to changing global market conditions. Scenario 1 uses the highest and scenario 35 the lowest elasticity values. The remaining scenarios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

Figure 2: Share of Top Ten Primary Commodities in Guinea's Total Imports



Source: Computed from United Nations Commodities trade Database, United Nations DESA. Data retrieved in July 2020 from <https://comtrade.un.org/data>.

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



Source: Computed from United Nations Commodities trade Database, United Nations DESA. Data retrieved in July 2020 from <https://comtrade.un.org/data>.



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