

IHS MARKIT PRICE AND SUPPLY MONITOR

Supply pressures build during January

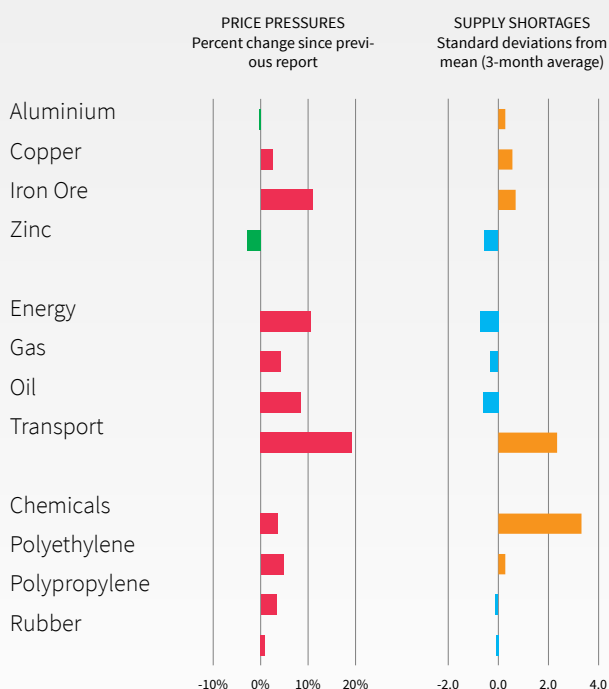
KEY FINDINGS

Iron ore prices soar as metal supply weakens

Transport costs rise sharply amid container shortages

Chemical prices increase, but at softer rate

PRICE PRESSURES AND SUPPLY



Commodity prices were driven higher by widespread supply shortages and lack of global freight containers in January, while transport costs also rose steeply.

The latest Price & Supply Monitor - a monthly report designed to track global commodity price pressures and supply shortages - saw ten of the 12 monitored commodities rise in price during January.

Price inflation was overwhelmingly linked to a build-up of global supply problems due to the coronavirus disease 2019 (COVID-19) pandemic, with zinc and polypropylene the only monitored commodities to not see an increase in supply shortages since the end of 2020.

Iron ore recorded the sharpest uptick in price, followed by crude oil which drove a solid mark-up in overall energy prices. Chemical prices also rose, but at a far softer pace compared to December.

Meanwhile, transport costs increased by over 19% in January, as global freight companies faced a dearth of container supply due to COVID-19 restrictions and rising export demand.

COMMENT

"The J.P. Morgan Global Manufacturing PMI data signalled suppliers' delivery times lengthening at the second-sharpest rate since June 2004 in January (behind April 2020), signalling the extent to which global producers faced supply-side problems in the new year. Global transport was held up by a lack of shipping containers, placing increased pressure on freight prices.

"With global demand continuing to rise after the COVID-19-led downturn, and suppliers constrained by weak commodity supply, the IHS Markit Material Prices Index rose 9% at the start of 2021. The strongest mark-up was seen in energy markets as crude oil recovered to \$55/barrel, the same level seen in February 2020 before the global shutdown.

"Metal shortages were widespread, according to global producers, keeping prices at marked levels and putting additional pressure on iron ore prices which leaped 11% over the month. Chemicals were also in short supply, but after a 30% rise in December, the latest uptick in price was only 4%.

"Global supply chains will take time to rebalance as freight companies ferry empty containers back to Eastern ports, suggesting that pressures on both supply and prices could remain marked during the first half of 2021. The tightening of lockdown measures will also restrict capacity on transport networks until the current wave of COVID-19 infections subdues."

David Owen

Economist, Economic Indices, IHS Markit

METALS

Iron ore prices soar as metal supply weakens

KEY FINDINGS

Iron ore prices rise to 112-month high

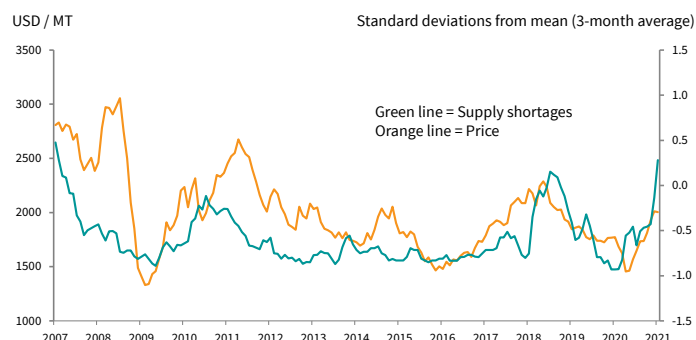
Copper prices highest since February 2013

Metal prices remained elevated at the start of 2021, with iron ore and copper seeing further mark-ups as surveyed businesses reported a weakening in global supply. Iron ore registered the sharpest uptick in price, rising 11% to its highest level since September 2011. Reports of supply shortages, meanwhile, were the most frequent since mid-2008.

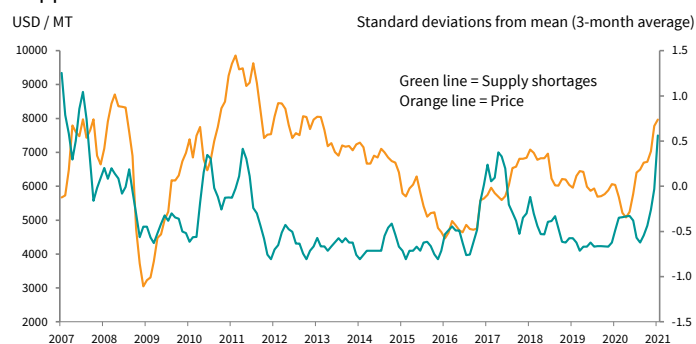
Copper saw a more modest price increase of around 3% in January, but nevertheless reached its highest monthly average price for almost eight years. In addition, manufacturers reported a sharp drop in copper availability around the world due to COVID-19 and a delay to shipment deliveries.

After posting recent highs in December, aluminium and zinc both saw a slight reduction in price in January. Notably though, they remained firmly above their two-year averages. Zinc was the only monitored metal to not see a steep increase in supply pressures.

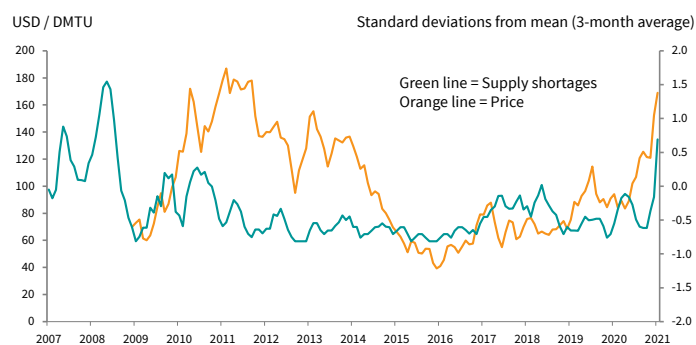
Aluminium



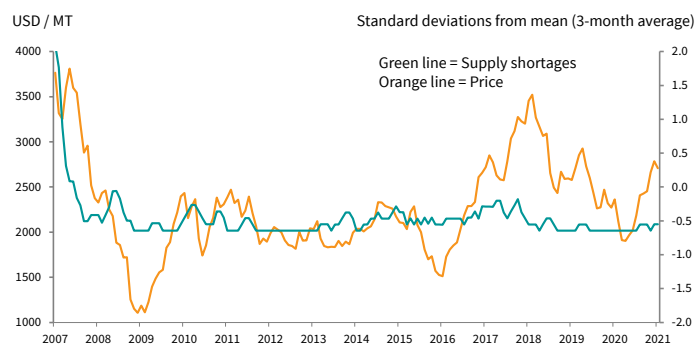
Copper



Iron ore



Zinc



ALUMINIUM



COPPER



IRON ORE



ZINC



The direction of the arrow represents the change in the latest monthly price compared with the previous month.

The colour of the arrow denotes the current price relative to its 24-month average:

GREEN = Below 24-month average

YELLOW = In line with 24-month average (+/- 5%)

RED = Above 24-month average

ENERGY

Transport costs rise sharply amid container shortages

KEY FINDINGS

Shipping rates up 19% in January

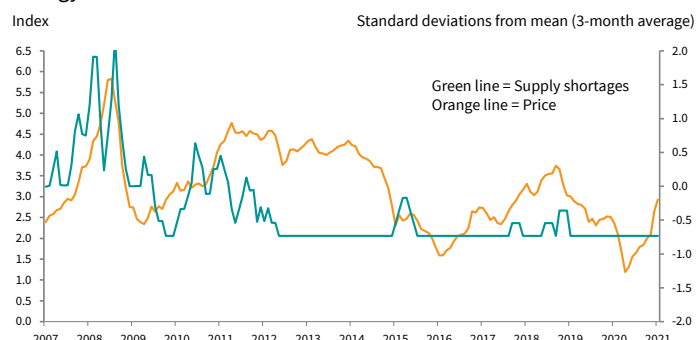
Oil prices near pre-pandemic level

Global energy markets saw a further increase in commodity prices in January, signalled by the IHS Markit Energy Prices Index rising 11% since the end of last year. Crude oil drove the uptick with a 9% increase to \$55/barrel, nearing the level seen in February 2020 before most major economies entered strict lockdowns.

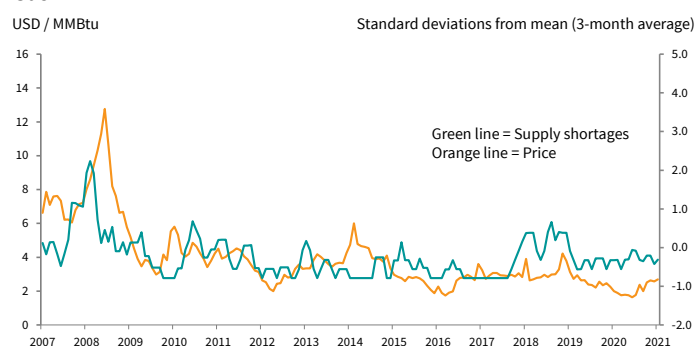
While the rise was mainly driven by an increase in global demand, oil prices were also driven higher by rising freight costs at the start of the year. Sea freight companies reportedly struggled with low container supply as a result of disruption caused by the COVID-19 pandemic. Consequently, transport costs climbed 19% over the month to the highest since last October.

After falling slightly in December, gas prices rose by 4% to their highest level for nearly two years in January. According to reports, supplier delays and stronger demand from Asian markets drove the latest increase in price.

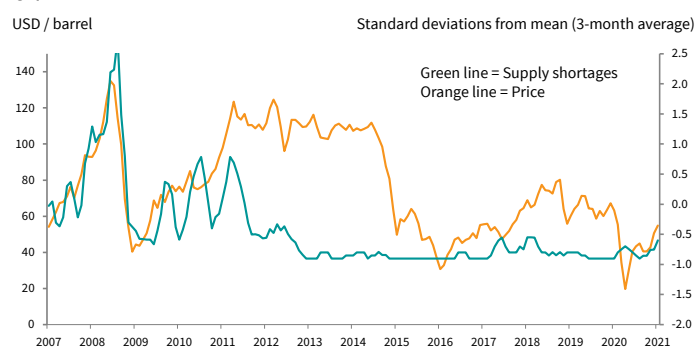
Energy



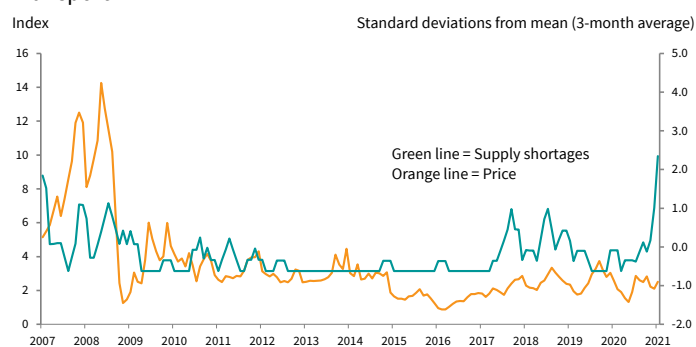
Gas



Oil



Transport



ENERGY

GAS

OIL

TRANSPORT

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CHEMICALS

Chemical prices increase, but at softer rate

KEY FINDINGS

Polyethylene leads uptick with 5% rise

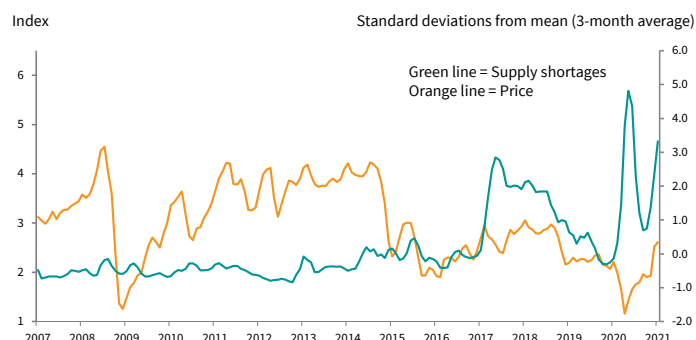
Rubber prices edge up to 46-month high

Chemical prices were also influenced by supply pressures in January, with the number of firms reporting supply shortages of the commodity grouping rising to one of the highest levels on record. As a result, the IHS Markit Chemical Prices Index was up nearly 4% to its highest since October 2018, although the month-on-month increase was far softer than in December.

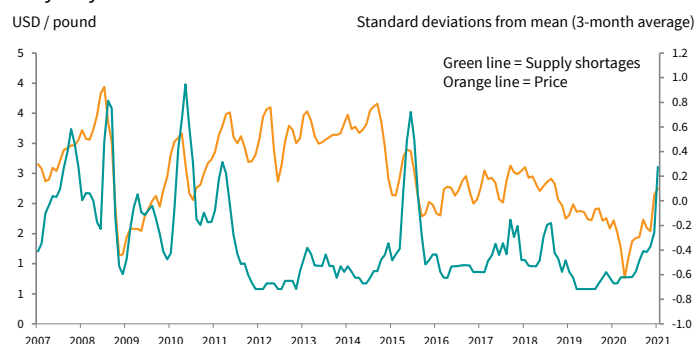
All three of the monitored chemical commodities saw an uptick in price at the start of the year, led by polyethylene which increased by 5% to \$2.25/pound. It was closely followed by polypropylene which recorded a 3% monthly increase. That said, these compared with rises of 39% and 18% in December respectively.

Rubber prices edged up only fractionally in January, but nonetheless marked its highest price for nearly four years. Notably, mentions of weak availability were the most frequent since July 2017.

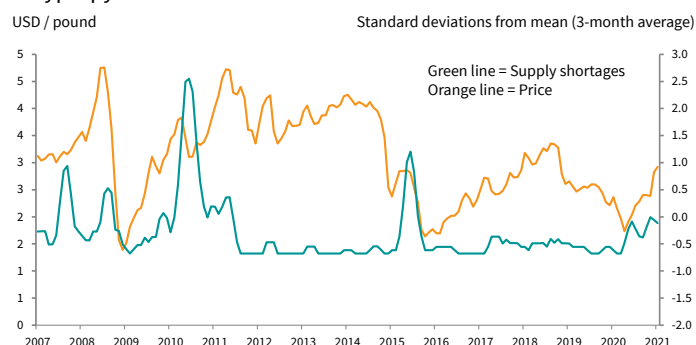
Chemicals



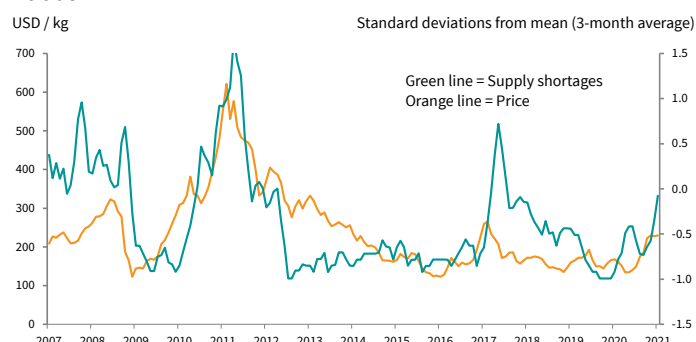
Polyethylene



Polypropylene



Rubber



CHEMICALS

POLYETHYLENE

POLYPROPYLENE

RUBBER

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Methodology

The IHS Markit Price & Supply Monitor is derived from IHS Markit Pricing & Purchasing data and the Purchasing Managers' Index™ (PMI) business surveys, which are highly-regarded worldwide for providing accurate and timely data on economic trends.

Supply shortages:

PMI survey respondents are invited to itemise specific goods where supply shortages have developed. This information is transformed into indicators which show the development of supply pressures relative to long-run trends. Indices are calculated from the number of purchasing managers that report a specific item to have had incidences of supply shortages, less those reporting no change. Each month's resulting net balance is adjusted to take into account variations in survey response rates. Indices are calculated from responses to the following national manufacturing PMI surveys: Brazil, China, France, Germany, India, Ireland, Italy, Russia, South Korea, Spain, Taiwan, UK, US.

The 'standard deviation from mean' unit of measurement used for the supply shortage data is a number used to tell how far the current month's incidences of supply shortages is away from the long-run average. A value of zero means that supply shortages are in line with the long-run average. Any figure above zero means that supply shortages are greater than the long-run average, whilst a figure below zero means that supply shortages are less than average.

Pricing data:

Price data are sourced monthly from IHS Markit and external sources.

The units of pricing measurement are as follows:

- USD/MT = US dollars per metric tonne
- Index = 100 equals no change from the base year (2002)
- USD/MMBtu = US dollars per one million British Thermal Units
- USD/Barrel = US dollars per barrel of oil (standard measurement for crude oil)
- USD/pound = US dollars per pound (lbs)
- USD/kg = US dollars per kilogram
- US/DMTU = US dollars per Dry Metric Tonne

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

About IHS Markit Pricing & Purchasing Service

For more than 40 years, the IHS Markit Pricing & Purchasing team has equipped the purchasing community with information, expertise and analytics on the world's commodity markets and the key factors that drive them. We deliver 10-year price forecasts with award-winning accuracy and deep insight into your suppliers' cost structures so you can cut spending, assess your buying performance and favourably negotiate purchase contracts.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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