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Klaus Matthies*

Revised HWWA Commodity Price Index

The pattern of international trade is changing constantly. The HWWA Index of World Market Prices of Commodities, which is weighted by imports, therefore needs to be adapted from time to time in order to preserve its relevance as an indicator of price trends in international commodity markets. It is now (as of September 2003) published with updated weights based on 1999-2001 import values and with a new price basis (2000=100).

The focus of the HWWA index remains the same: it measures changes in the prices of raw materials imports invoiced to the industrialised countries and is thus an indicator of developments in the cost of imported raw materials. As of January 2002 an additional index "Euroland" is calculated for the euro area countries. The revised HWWA index has been computed back to April 1996 for the daily figures and to September 1978 for the monthly figures.

The weights for individual commodities in the HWWA index are drawn from their share in total raw

materials¹ imports of the OECD countries, excluding intra-EU trade. For the index "Euroland" the imports of the 12 members from third countries are used as weights. In order to soften yearly fluctuations in raw materials imports, import data was again taken from three consecutive years, 1999 to 2001. The selection of raw materials is drawn from the "non-manufactured goods" as defined in the Standard International Trade Classification (SITC, revision 3); this group covers the sections 0 to 4 and 68.

When selecting the basket of goods, efforts were made to include only unprocessed or little-processed

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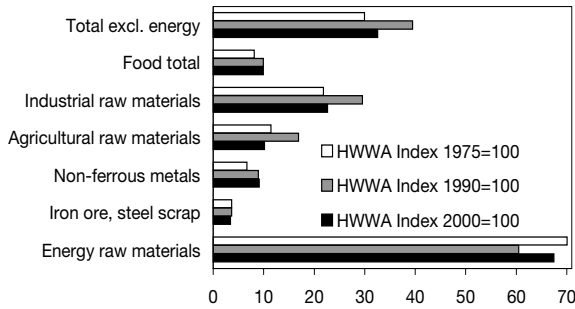
¹ Sum of the commodities included.

Weighting of Commodities and Commodity Groups in the HWWA Indices 2000=100
per cent share¹

Commodities	HWWA Index ²	HWWA Index "Euroland" ³	Commodities	HWWA Index ²	HWWA Index "Euroland" ³
HWWA Index, total	100	100	Industrial raw materials	22.6	21.5
Index excluding energy	32.6	32.7	Agricultural materials	10.1	8.9
			Cotton	0.9	0.8
Food total	9.9	11.2	Wool	0.3	0.6
Cereals	2.7	1.5	Hides	0.7	0.8
Barley	0.1	0.1	Natural rubber	0.8	0.6
Maize	1.3	0.3	Wood	4.5	2.1
Wheat	0.9	0.8	Wood pulp	3.0	3.9
Rice	0.4	0.3	Non-ferrous metals	9.1	9.3
Oilseeds, oils	3.4	5.3	Aluminium	4.8	4.2
Soybeans	1.7	2.6	Copper	2.4	2.9
Soybean meal	1.2	2.1	Lead	0.2	0.2
Soybean oil	0.1	0.0	Nickel	0.9	1.4
Coconut oil	0.2	0.3	Zinc	0.6	0.4
Palm oil	0.1	0.2	Tin	0.2	0.2
Sunflower oil	0.1	0.1	Iron ore, scrap	3.4	3.4
Beverages, sugar	3.8	4.4	Iron ore	2.4	2.3
Coffee	2.2	2.9	Steel scrap	1.0	1.1
Cocoa	0.7	1.1	Energy raw materials	67.4	67.3
Tea	0.3	0.2	Coal	4.8	4.4
Sugar	0.6	0.2	Crude oil	62.7	63.0

¹ Rounded figures. - ² World imports of OECD countries minus Intra-EU trade, 1999-2001. - ³ Euro area imports from other countries, 1999-2001.

Figure 1
HWWA Index: Comparison of Index Weights
 (per cent shares)

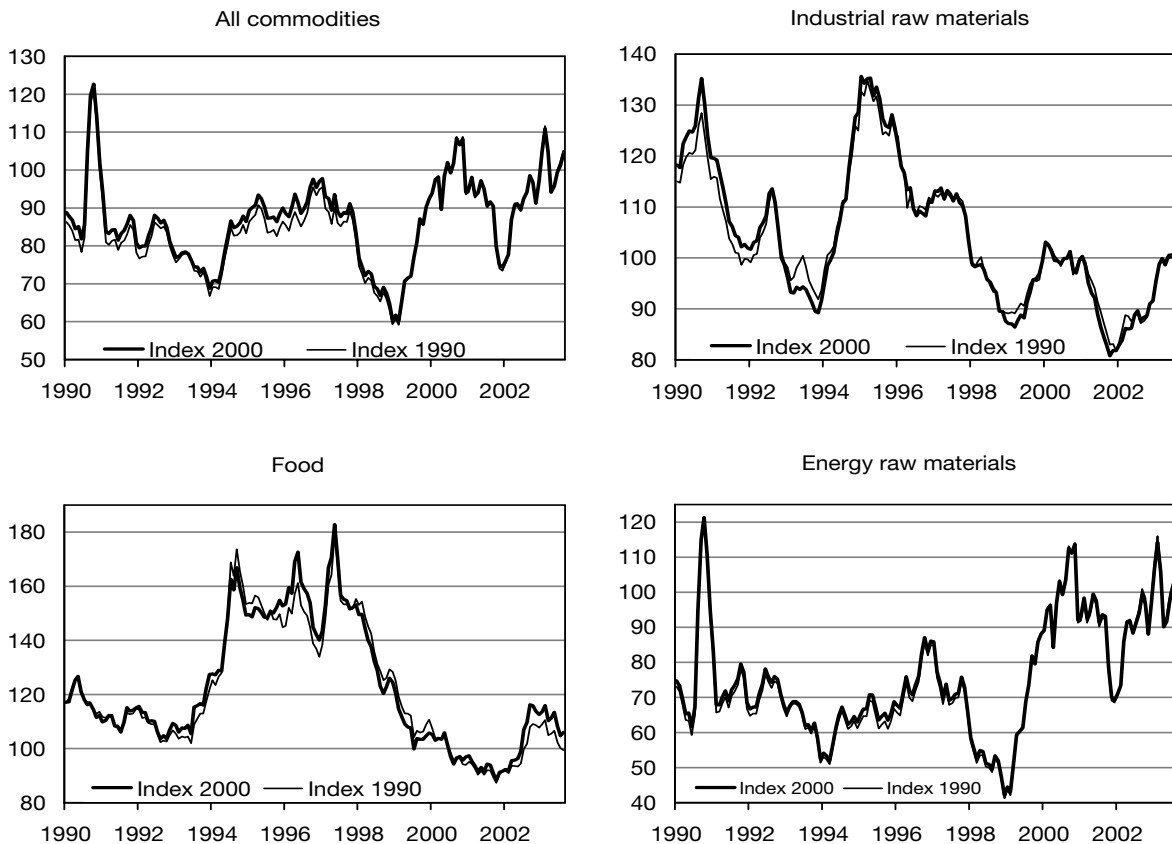


goods. Products which include a high proportion of labour costs and other factors charges – as is the case with most semi-finished and finished goods – were largely omitted. Historical trading practices are taken into account. In the case of non-ferrous metals, for instance, international trade and the publication of representative market prices takes place not at the level

of primary processing (as ores) but at a higher level (as metals). With the exception of steel scrap, which is used in manufacturing in the same way as a raw material, waste materials or secondary raw materials remain excluded. While the importance of recyclable waste materials in the manufacturing process is certainly increasing, meaningful quotations are not available in most cases.

In order to come as close as possible to its aim of providing a representative picture of commodity price developments, the HWWA index includes important raw materials which are traded internationally. Exceptions are necessary, however, when representative or current or world market prices are lacking. Natural gas and raw tobacco, for example, are omitted for this reason. A number of food items which tend to resemble finished products rather than raw materials or are strongly influenced by the Common Agricultural Policy (CAP) of the EU are also excluded. Precious metals are excluded, too, as their price movements are heavily

Figure 2
HWWA Index Before and After the Revision: Selected Figures 1990-2003¹



¹ OECD countries, US dollar basis; 1990 index rebased to 2000=100.

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influenced by speculative buying and selling, and they can only partially be regarded as raw materials in the sense of industrial inputs. Altogether, the HWWA index covers 28 commodities which, in the base period, accounted for about half of the imports of non-manufactured goods according to the SITC definition. For the 28 commodities, 36 price series have been selected, i.e. some raw materials are represented by two or three price series in order to take different qualities into consideration.² The HWWA index is computed on the basis of what continues to be the most important currency in world trade, the US dollar, as well as on a euro basis.

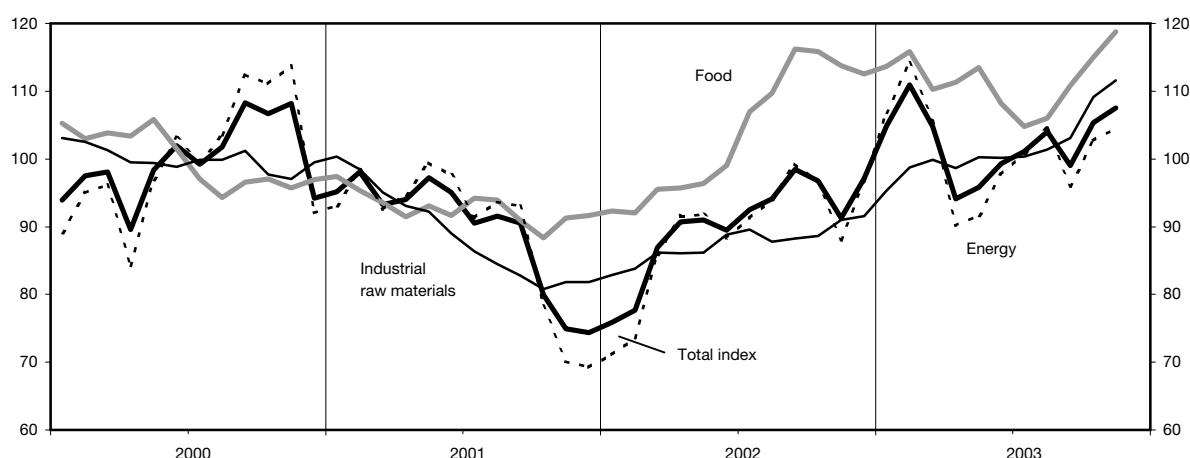
A look at the index weights – 1999-2000 import values compared to 1989-1991 import values – shows an increased crude oil share in commodity imports, but that is above all a result of (about 20 per cent) higher oil prices and lower prices for the non-oil commodities. Therefore, crude oil has now a weight of 63 per cent in the index, compared to 56 per cent in the former version of the index. Given the high weight of fuels, which have a decisive influence on movements of the total index, a partial index without energy commodities – with more sub-indices – is computed. The number of sub-indices shown remains the same as before.³

² See www.hwwa.de/rohind/rawplist.pdf for the current list of price quotations.

³ Further details are to be found on the HWWA website under "commodity prices".

HWWA Index of World Market Prices of Commodities¹

(2000=100)



Commodity Groups ¹	2002	Apr. 03	May 03	June 03	July 03	Aug. 03	Sep. 03	Okt. 03	Nov. 03 ²
Total Index	90.1 (0.6)	94.1 (3.8)	95.8 (5.3)	99.3 (11.0)	101.1 (9.4)	104.0 (10.5)	99.0 (0.5)	105.4 (8.9)	107.5 (17.8)
Total, excl. energy	92.5 (2.8)	102.5 (15.1)	104.3 (16.8)	102.6 (11.6)	101.7 (7.2)	102.8 (8.8)	105.4 (8.9)	110.9 (14.4)	113.8 (16.2)
Food total	103.9 (12.0)	111.3 (16.2)	113.4 (17.7)	108.2 (9.3)	104.8 (-2.1)	106.0 (-3.4)	110.9 (-4.6)	115.0 (-0.8)	118.8 (4.4)
Industrial raw materials	87.5 (-1.5)	98.6 (14.6)	100.3 (16.3)	100.2 (12.8)	100.4 (12.0)	101.4 (15.5)	103.0 (16.7)	109.1 (23.1)	111.6 (22.6)
Agricultural raw materials	85.3 (-0.7)	102.3 (25.6)	103.5 (26.2)	103.6 (20.8)	102.3 (16.0)	101.6 (15.5)	104.3 (17.5)	110.8 (24.6)	112.6 (24.5)
Non-ferrous metals	84.7 (-4.1)	85.9 (-0.5)	89.8 (5.6)	91.4 (5.6)	93.1 (9.0)	95.1 (17.2)	94.9 (16.6)	101.2 (23.1)	105.6 (22.2)
Energy	89.0 (-0.5)	90.1 (-1.6)	91.6 (-0.1)	97.7 (10.6)	100.8 (10.5)	104.6 (11.3)	95.9 (-3.4)	102.8 (6.3)	104.5 (18.8)

¹ On a US dollar basis, averages for the period; figures in brackets: percentage year-on-year change. ² Up to and incl. 21st November.

Further information: <http://www.hwwa.de> → Commodity Prices