

ANZ Commodity Price Index

6 June 2023



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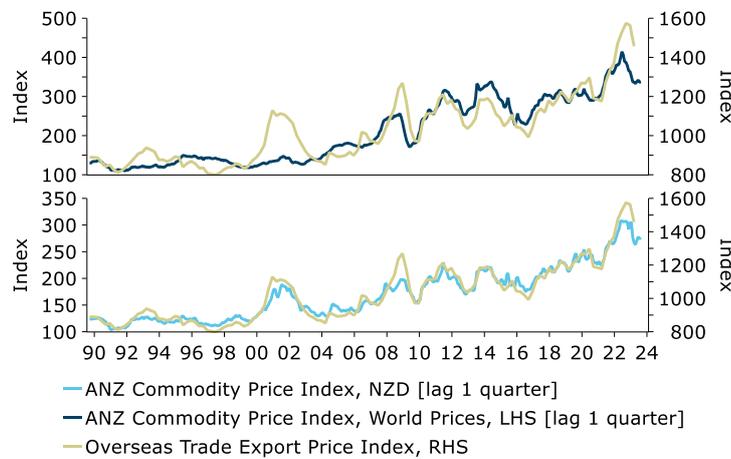
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 July 2023 at 1pm.

Confused by acronyms or jargon? See a glossary [here](#).

China slowdown shapes commodity price movements

The ANZ World Commodity Price Index gained 0.3% m/m in May. Dairy prices lifted but prices for meat, export logs and aluminium fell. In local currency terms the index gained 0.7% m/m, supported by a 0.4% m/m easing of the NZD against the US dollar.

Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices fell during May. The Baltic Dry Index dropped a massive 38% in the past month, indicating global economies are slowing. The slower-than-expected recovery in China is one of the main reasons for the slump in demand for global shipping. May is typically a busy month for shipping goods from New Zealand due to the increase in cattle processed at this time of the season, along with demand to shift horticultural produce.

ANZ Commodity Price Index and shipping costs



Source: Baltic Exchange, Harper Petersen & Co., Shanghai Shipping Exchange, Macrobond, ANZ Research

Dairy prices gained 3.7% month-on-month (m/m) in May, partially unwinding the fall in pricing the previous month. Milk powder prices firmed, but some further softening in pricing is still anticipated during the next few months, particularly for skim milk powder, which is impacted to a greater degree by the seasonal increase in milk production in the Northern Hemisphere.

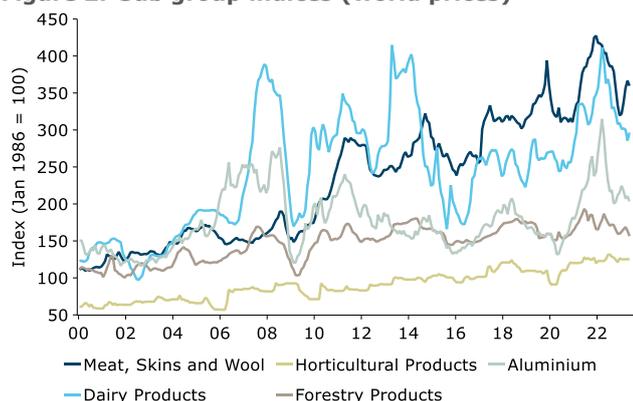
The **meat and fibre** index fell 1.8% m/m in May despite as prices for both beef and lamb are in retreat. Beef prices fell 3.1% in May after trending higher for the previous five months. Lamb prices fell just 1.2% during May but are expected to come under further pressure as demand for higher-value meats is impacted by deteriorating global economic conditions. Wool prices bucked the trend, gaining 4.9% during May. Wool is now priced slightly higher than it was a year ago, but price levels are still low.

The **horticulture** index lifted 0.3% in May. Prices for new-season apples rose 1.2% m/m. Export volumes are well down this season. Any lift in price will therefore be warmly welcomed by growers and exporters, but won't be sufficient in revenue terms to offset the huge losses in volumes. Kiwifruit export volumes are forecast to be 20% lower than last season due to various adverse weather events earlier in the growing season.

The **forestry** index fell 4.4% m/m in May. Demand from China for logs has dropped sharply, pulling down the price of export logs. Logs are now worth 20% less than a year ago. The log market is not expected to recover for some time and harvesting of logs has now slowed in response to market conditions and adverse weather.

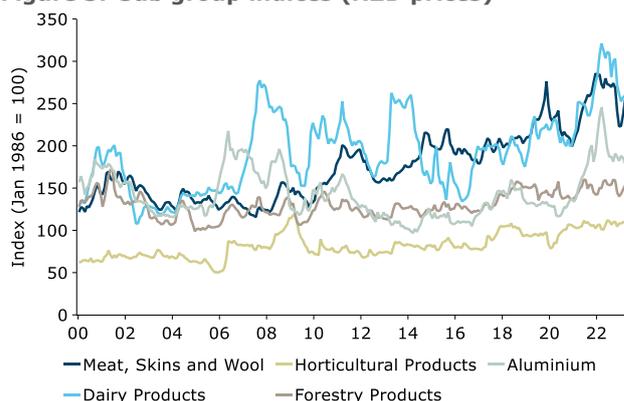
Aluminium prices dropped 3.3% in May, with prices now at their lowest level since October. Aluminium production and stocks are generally decreasing. High energy costs have pushed up the cost of producing aluminium at a time when global demand for this lightweight metal has weakened.

Figure 2. Sub group indices (world prices)



Source: Macrobond, ANZ Research

Figure 3. Sub group indices (NZD prices)



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
May-19	318.5	..	0.7	247.1	..	5.7
May-20	292.6	..	-8.1	243.8	..	-1.3
May-21	366.4	..	25.2	263.1	..	7.9
May-22	389.0	..	6.2	306.5	..	16.5
Dec-22	336.8	-0.2	-11.4	266.6	-3.8	-7.1
Jan-23	333.0	-1.1	-13.3	263.2	-1.3	-10.1
Feb-23	337.7	1.4	-15.3	270.8	2.9	-11.7
Mar-23	342.2	1.3	-17.4	278.0	2.7	-9.8
Apr-23	336.4	-1.7	-17.3	274.2	-1.4	-10.3
May-23	337.4	0.3	-13.3	276.1	0.7	-9.9

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2022 year are: Wool 1.1%; Beef 12.0%; Lamb 10.7%; Venison 0.4%; Skins 0.8%; Dairy 43.8%; Apples 2.2%; Kiwifruit 6.5%; Logs 8.8%; Sawn Timber 2.8%; Wood Pulp 2.3%; Seafood 4.5%; Aluminium 4.1%.



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