

## NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

Data for July 2011, released  
on 1 August 2011

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 1 September at 1pm.

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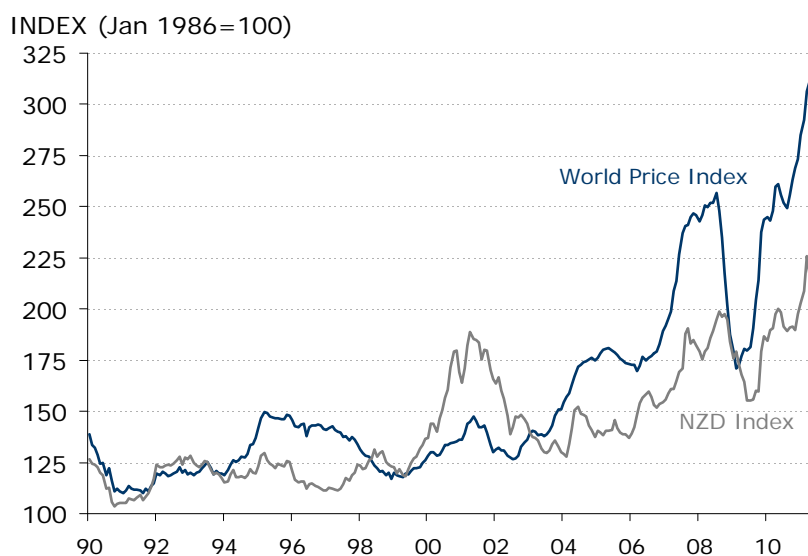
The ANZ Commodity price Index slipped by the narrowest of margins in the month of July. **The index was 0.1 percent lower in July**, but remains relatively elevated being 22 percent higher than when compared to a year earlier. There were eight commodities recording a firming in prices in July and seven commodities recording price falls. Wood pulp and lumber prices were unchanged in the month.

**The price of kiwifruit recorded a 7 percent rise in July, followed by a 6 percent rise in wool prices and a 5 percent rise in beef prices.** The price of skins lifted 2 percent, while seafood, sheepmeat and venison prices all rose by up to 1 percent.

**Log prices recorded the greatest fall, dropping 6 percent from the preceding month.** Apple prices dropped 5 percent, the prices of dairy products eased between 1 and 4 percent (with the overall dairy component decreasing 2 percent) and aluminium prices slipped 1 percent.

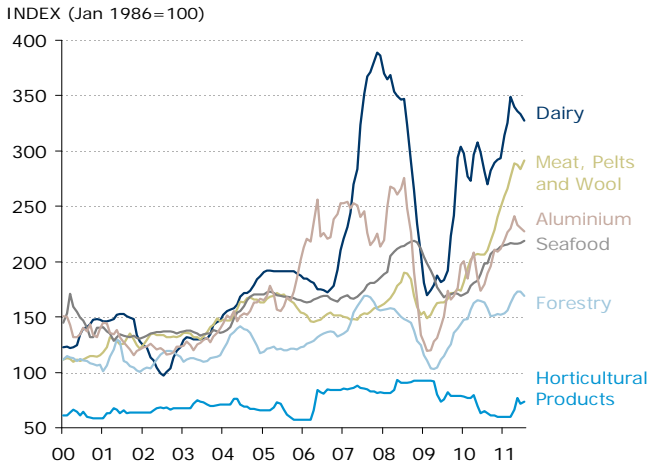
**The strengthening in the NZ dollar has eroded the NZD Commodity Price Index.** On a trade-weighted basis the value of the kiwi dollar strengthen by over 3 percent in July. With the international prices of commodities virtually unchanged, the rise in the currency was reflected in an easing in the ANZ NZD Commodity Price Index. **The index was 3.7 percent weaker in July.**

### ANZ COMMODITY PRICE INDEX

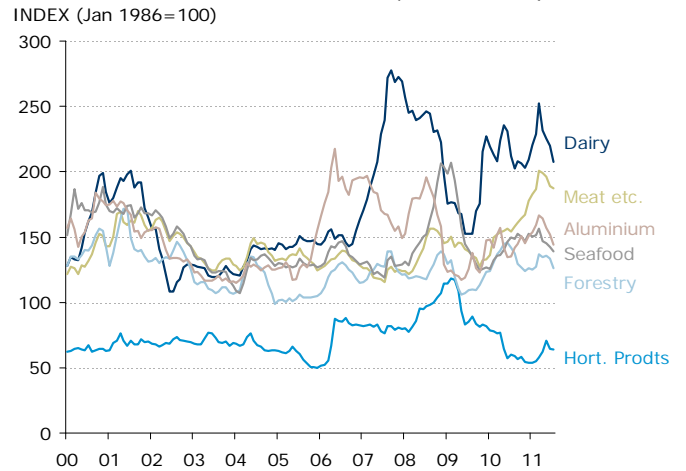


# ANZ COMMODITY PRICE INDEX

**SUB-GROUP INDICES (WORLD PRICES)**



**SUB-GROUP INDICES (NZD PRICES)**



	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Jul-07	236.9	n.a.	34.6	170.9	n.a.	7.0
Jul-08	256.6	n.a.	8.3	194.8	n.a.	14.0
Jul-09	181.6	n.a.	-29.3	155.4	n.a.	-20.2
Jul-10	251.9	n.a.	38.8	191.4	n.a.	23.1

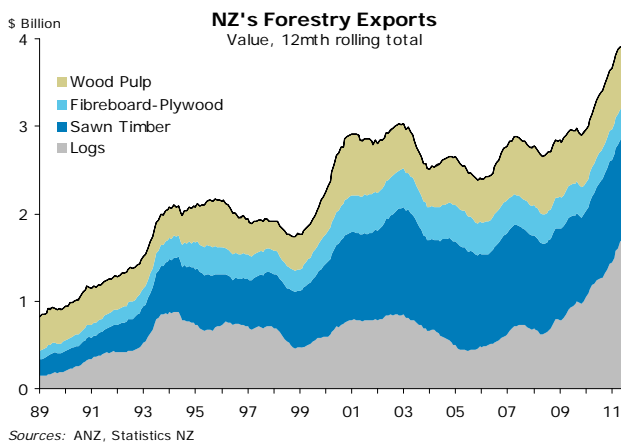
Feb-11	292.3	2.7	20.3	208.7	2.9	10.1
Mar-11	306.2	4.7	23.5	225.6	8.1	18.4
Apr-11	311.0	1.6	19.8	216.8	-3.9	9.8
May-11	312.1	0.4	19.6	215.1	-0.7	7.6
Jun-11	308.5	-1.2	20.6	208.0	-3.3	4.9
Jul-11	308.2	-0.1	22.3	200.4	-3.7	4.7

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2011 year are: Wool 3.3%; Beef 8.8%; Lamb 12.4%; Venison 0.9%; Skins 2.0%; Dairy 41.6%; Apples 1.5%; Kiwifruit 4.5%; Logs 6.1%; Sawn Timber 4.7%; Wood Pulp 2.8%; Seafood 5.9%; Aluminium 5.5%

## FEATURED COMMODITY: LUMBER

**The value of forestry exports account for 8 percent of NZ's total merchandise exports, with lumber exports making up a large chunk of this. The slump and recovery in the international price of lumber reflects the fortune of the global economy. The slowdown in house construction in the US has resulted in a drop in the value of lumber exports sent there.**

In the twelve months to June 2011, New Zealand exported \$3.9 billion of forestry related products, which represented 8 percent of New Zealand's total merchandise exports. Lumber exports include \$1,140 million of sawn timber and another \$360 million of further processed wood (such as fibreboard and plywood). In the 12 months to June, logs as a proportion of total forestry exports lifted to 44 percent, the highest in the history of the series. (1988).. Forestry is projected to be one of New Zealand's leading export industries over the next fifteen years, with the annual plantation harvest set to double by 2025.

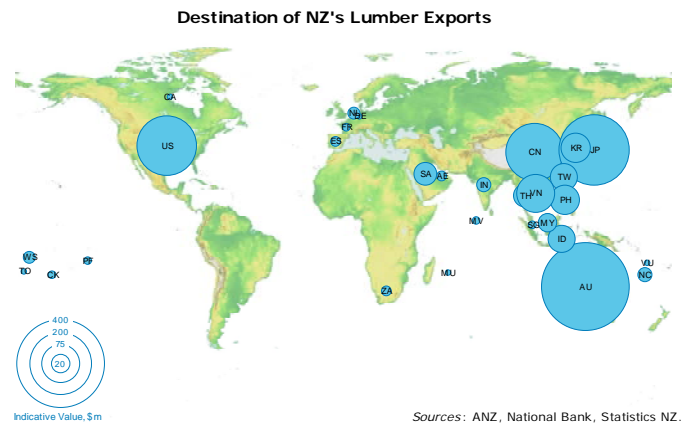


Sawn timber is a key input used in the construction of housing. As such, the price at which lumber sells for generally moves in tandem with demand pressures overseas. With this in mind, it makes a crude but timely gauge of economic prospects in offshore markets. The turmoil in the global economy resulted in international price of sawn timber slumping in 2008/09. The price of lumber recovered until early 2010, and experiencing another dip late last year. Prices have been lifting over 2011 to be where they were a year earlier. When converted into New Zealand dollars, the recent double dip in the export price of lumber was accentuated, hitting a 23-year low late last year. The NZD price of lumber has lifted 14 percent from last year's low but

remains about 16 percent below the long-term average.

New Zealand pine is used extensively for mouldings and millwork in the United States. As such, one of the repercussions of the US recession has been much reduced demand for New Zealand's wood. By comparison, the main use of our lumber exports to Australia is for structural and exterior purposes. With regard to the Asian countries, a large proportion of our timber exports are further processed once they are landed there and then shipped on to North America and Europe.

Over most of last decade, the United States was our largest export market for lumber, at one point reaching a third share of all lumber exports. Since the global financial crisis has hit, the value of lumber shipments to the US have slipped down the rankings, with its share of exports dropping to 12 percent. Offsetting this, an increasing share of our lumber exports are now being sent to the Asia region. Top of the list of Asian export markets for New Zealand lumber include Japan, China and Vietnam, with 18, 15 and 8 percent, respectively, by value.



Of our export markets, Vietnam has proportionately higher exports of lumber than other goods, with sawn timber comprising about 15 percent of all NZ exports sent there, followed by the Philippines (7 percent) and the USA, Thailand and Taiwan (all on 4 percent).

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