

# ANZ Commodity Price Index

## New Zealand

4 June 2009

## Spinning a good yarn

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 2 July 2009 at 3pm.

**Three in a row.** The ANZ Commodity Price Index recorded a third consecutive monthly rise in May, lifting 2.7 percent from April. Cumulatively the index has risen a total of 6½ percent since its recent low in February. Prices for seven of our key exports recorded a rise in the month of May, the price of two commodities were unchanged and four commodities recorded price declines. This represents the broadest rate of price increases across New Zealand's export basket in 18 months.

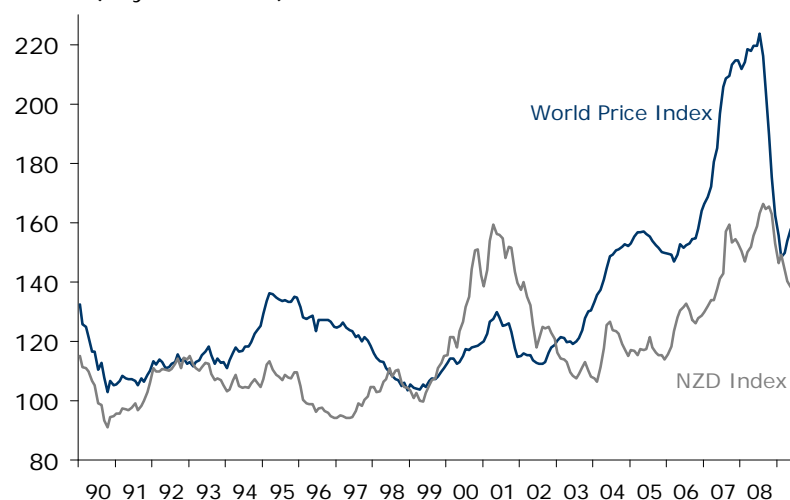
**A woolly jumper.** The price of wool recorded the largest increase in May, lifting 9.1 percent from April. But the latest rise has to be put in context, as it's rebounding from a 23-year low in the series last month. Beef prices recorded the next largest increase, lifting 6.1 percent in the month. This was followed by price rises for dairy (5.0 percent) and sawn timber (4.1 percent). Aluminium, lamb and venison recorded the other rises, with respective increases of 2.5, 0.7 and 0.3 percent. Seafood recorded the largest decline in the month, slipping 5.1 percent. Logs, apples and skins recorded the other falls, with declines of 4.6, 3.2 and 1.6, respectively.

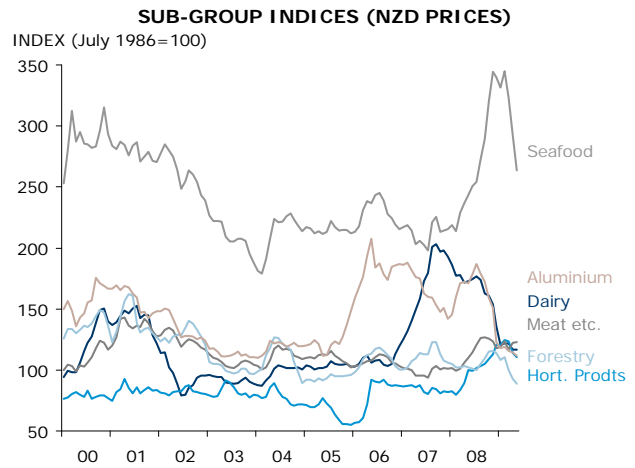
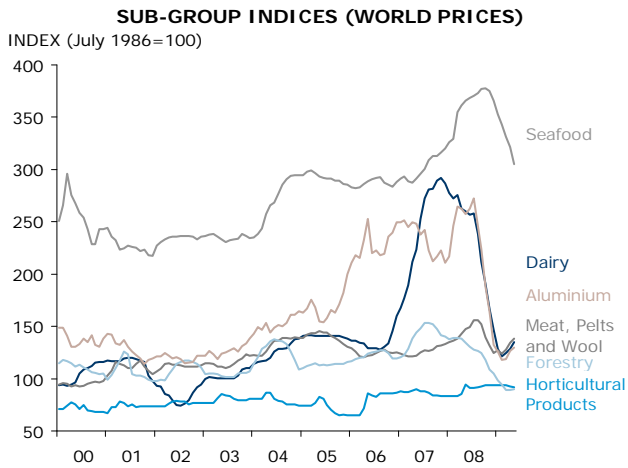
**Annual price falls the norm.** While the price of wool recorded the largest rise in the month, on an annual basis it is 38 percent lower than where it was a year ago. In fact all but one of the commodities we track recorded lower prices compared to a year ago. The exception is sheepmeat, which is having a remarkable renaissance of late, posting a 25 percent rise from where prices in the key UK market were a year ago.

**Kiwi dollar up, NZ priced index down.** The New Zealand Dollar Commodity Price index continued to fall, on the back of a strengthening Kiwi dollar. The ANZ NZD Commodity Price Index dropped 1.5 percent in May, led by a 5.1 percent increase in the value of the Kiwi dollar against the US dollar in May.

### ANZ COMMODITY PRICE INDEX

INDEX (July 1986=100)





	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
May-04	144.5	2.6	20.4	125.5	6.6	14.6
May-05	157.1	0.3	8.7	117.2	-0.1	-6.6
May-06	152.8	2.4	-2.7	130.3	1.7	11.2
May-07	185.1	2.6	21.1	137.5	2.7	5.5
May-08	219.7	0.9	18.7	155.6	2.5	13.2
Nov-08	175.4	-7.4	-18.3	162.9	-1.5	5.4
Dec-08	162.5	-7.4	-24.3	153.0	-6.1	-0.1
Jan-09	155.5	-4.3	-26.5	146.4	-4.3	-2.6
Feb-09	148.3	-4.6	-30.7	149.2	1.9	1.5
Mar-09	149.8	1.0	-31.4	144.1	-3.4	-4.0
Apr-09	153.7	2.6	-29.4	140.2	-2.7	-7.6
May-09	157.9	2.7	-28.1	138.1	-1.5	-11.2

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2009 year are: Wool 0.035; Beef 0.091; Lamb 0.131; Venison 0.015; Skins 0.025; Dairy 0.408; Apples 0.016; Kiwifruit 0.047; Logs 0.034; Sawn Timber 0.042; Wood Pulp 0.028; Seafood 0.059; Aluminium 0.069

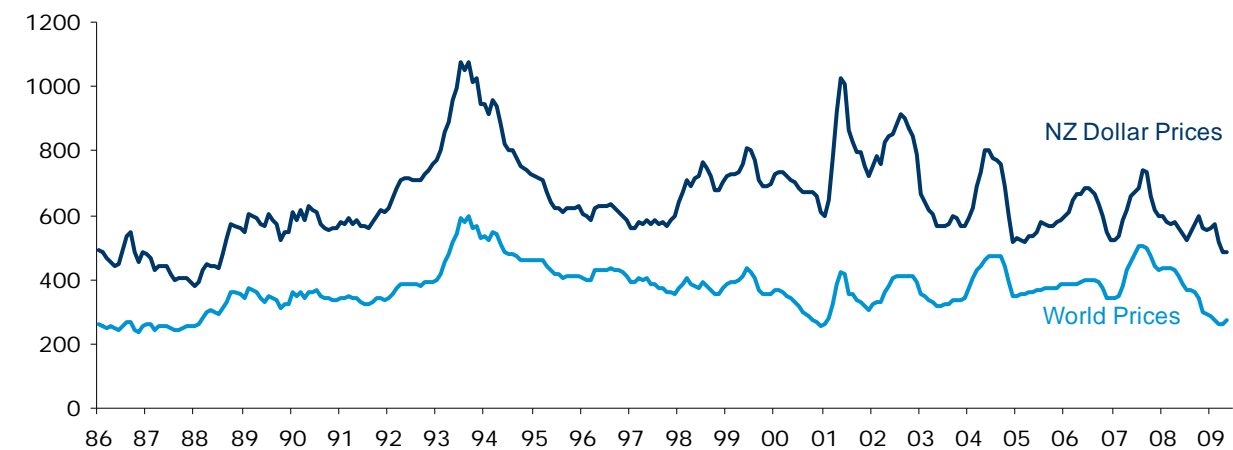
## Featured Commodity: LUMBER

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 falling international price of lumber reflects the prospects of the global economy. However, the rise noted over the past two months is further evidence that an economic recovery is gradually finding traction. 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 April 2009, New Zealand exported \$3.5 billion of forestry related goods, which represented 8 percent of New Zealand's total merchandise exports. Of this figure, over 40 percent is exported as lumber (i.e., sawn timber or further processed wood). The remainder (all with shares ranging between 18-22 percent of forestry exports) is exported as logs, wood pulp or paper. Forestry is projected to be one of New Zealand's leading export industries over the next two decades, 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. Given this correlation, the turmoil in the global economy has resulted in the international price of sawn timber falling since mid-2007, and in March it hit an eight-year low. Since then the price has recovered modestly but remains very low historically. When converted to NZ dollars, the fall in the export price of lumber is accentuated, and is currently sitting at a 20-year low.

### Sawn Timber Price Index

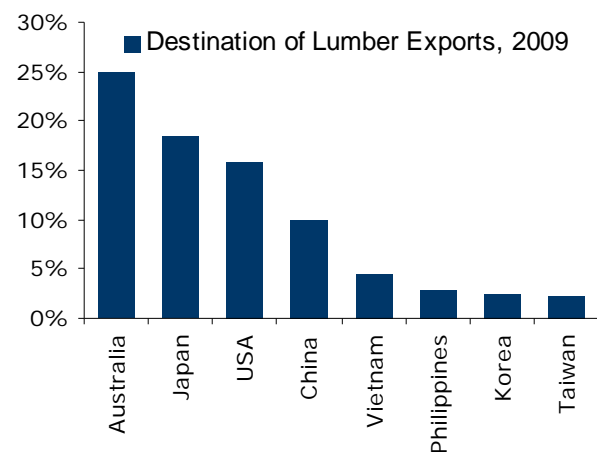


Source: ANZ

Just over half (52 percent) of New Zealand's lumber exports is sent as sawn wood. Fibreboard makes up nearly a fifth and plywood just under a tenth. The remainder of lumber exports consists predominantly of builder's joinery, strips, particle board and veneer.

New Zealand pine is used extensively for mouldings and millwork in the United States. By comparison, the primary use of our lumber exports destined for 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.

Two years ago, the United States was our largest market for NZ's lumber exports, taking a quarter of the total value of lumber exported. In the most recent twelve monthly period, the value of lumber shipments to the US have slipped to third ranking, with a share of only 16 percent. Filling the void has been Australia and Japan, which took 25 and 18 percent of our lumber exports, respectively, by value. This represents about 4-5 percent of total exports to these countries. Whereas, lumber exports make up a larger chunk of total exports to our South East Asian destinations. In Vietnam and Korea they account for about 23 percent of total exports sent to these nations.



Source: ANZ, Statistics NZ

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