

## ANZ Commodity Price Index

9 January 2019



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The next issue of the ANZ Commodity Price Index is scheduled for release on 5 February 2019 at 1pm.

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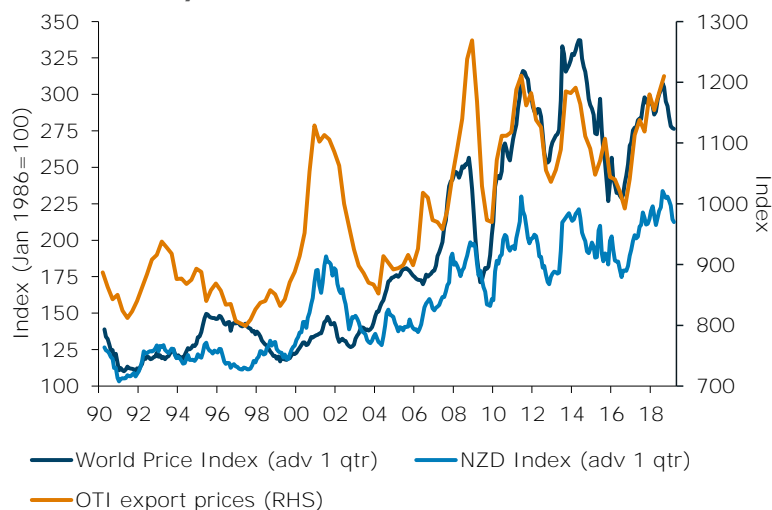
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## Year of the log

The ANZ World Commodity Price Index fell marginally in December to finish the year down 3.4% y/y. The 0.2% fall in the index in December was the smallest of seven consecutive monthly decreases recorded since May. A strong year for forestry prices was not sufficient to offset the weaker prices recorded in the dairy, horticulture and aluminium sectors.

The NZD index fell by 0.9% m/m in December. The index fell 2.2% across 2018 when measured in local currency terms.

### ANZ Commodity Price Index



Source: ANZ, Stats NZ

**Dairy** prices fell 2.5% m/m in December to end the year down 6.2%. The dairy market has since improved, which will likely be reflected in January data. Global dairy markets are benefiting from a slowing of milk production across the main dairying regions, and a decrease of in-market stocks.

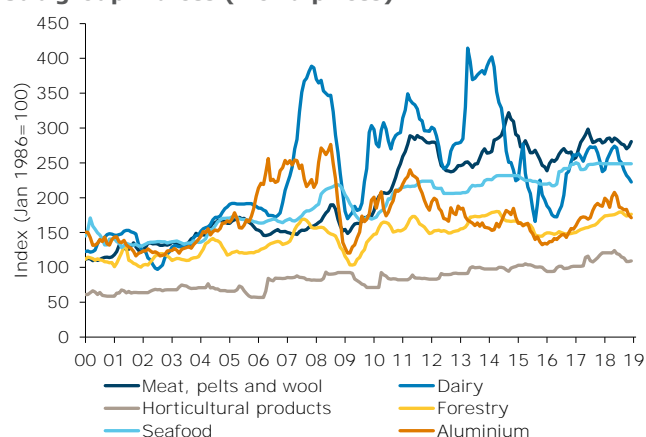
The **meat and fibre** index lifted 2.7% m/m in December to end the year in positive territory, up 0.8% y/y. Returns for both lamb and beef meat lifted in December, while venison pricing remain upbeat. International prices for lamb are up 6.1% y/y. Beef prices have retreated over the past year (down 3.3%) but did record an uptick in December as demand from the United States for manufacturing beef improved. Wool prices remain in the doldrums, falling 2.3% in December to end the year down 3.6%.

The **horticulture** index lifted by 0.9% m/m but is down 9.6% year on year. Kiwifruit returns lifted in December as the last of this seasons fruit is sold through European markets. Throughout 2018 apple prices dropped by 14.8% while kiwifruit eased 7.4%.

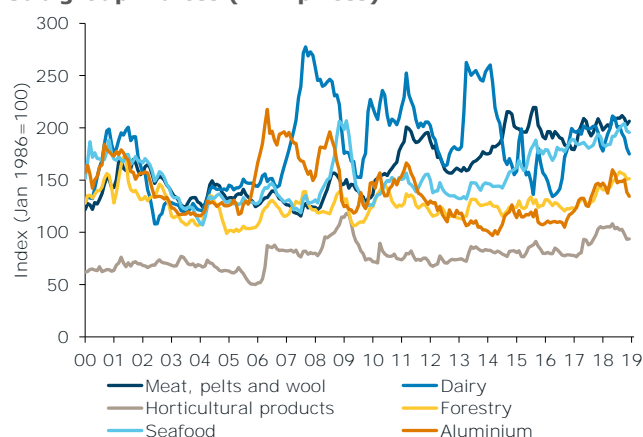
**Forestry** prices lifted 0.8% m/m in December, with this positive trend expected to continue into 2019. The quantity of logs sitting on wharves in China is very low, and is driving ongoing buying activity and keeping prices buoyant. The strength of this market has helped absorb the increase in the supply of logs being harvested in New Zealand. Other main markets for New Zealand logs, such as Japan and India, are not as buoyant as China but need to pay competitive rates in order to secure supplies.

**Aluminium** prices fell 2% in December to finish the year down 8.7%. Aluminium prices peaked in April and have trended down since. Sanctions on Russian aluminium producer Rusal are expected to be lifted later this month, which will increase the available supply and put further downward pressure on prices. Rusal, which is responsible for about 7% of global production, is reported to have about 200,000t of aluminium currently warehoused in Rotterdam. A slowdown in global market activity, particularly in China, is expected to limit demand for aluminium, putting further downward pressure on prices.

**Sub group indices (world prices)**



**Sub group indices (NZD prices)**



Source: ANZ

	<b>World Price Index</b>	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Dec-14	<b>273.4</b>	..	-17.2	<b>188.1</b>	..	-13.7
Dec-15	<b>238.0</b>	..	-12.9	<b>186.0</b>	..	-1.1
Dec-16	<b>277.3</b>	..	16.5	<b>203.5</b>	..	9.4
Dec-17	<b>286.2</b>	..	3.2	<b>217.1</b>	..	6.7
Jul-18	<b>295.1</b>	-3.3	-0.2	<b>228.9</b>	-1.1	8.6
Aug-18	<b>291.9</b>	-1.1	-0.5	<b>229.9</b>	0.4	8.9
Sep-18	<b>284.9</b>	-2.4	-3.6	<b>227.3</b>	-1.1	5.9
Oct-18	<b>278.2</b>	-2.4	-5.6	<b>223.7</b>	-1.6	1.6
Nov-18	<b>276.9</b>	-0.5	-5.1	<b>214.3</b>	-4.2	-4.0
Dec-18	<b>276.4</b>	-0.2	-3.4	<b>212.4</b>	-0.9	-2.2

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2017 year are: Wool 1.9%; Beef 11.2%; Lamb 9.9%; Venison 0.6%; Skins 1.4%; Dairy 41.0%; Apples 2.4%; Kiwifruit 5.7%; Logs 10.6%; Sawn Timber 3.5%; Wood Pulp 2.6%; Seafood 5.5%; Aluminium 3.8%



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