Higher ground

The ANZ World Commodity Price Index pushed up 1.4% m/m in March, continuing the positive trend present since the beginning of the year. Firmer prices were recorded in the agriculture and forestry sectors but dairy once again provided the largest price lift.

In annual terms the ANZ World Commodity Price Index is down 2.1% y/y, with the deficit gradually clawed back over the past six months. Further price increases are expected for the major export sectors in the coming months.

The NZD index also lifted 1.4% m/m in March, as there was little change in the average exchange rates across the month despite exchange rate volatility within the month.

ANZ Commodity Price Index

Dairy prices gained 2.5% m/m with price gains moderating on the large lift the previous month. Prices are expected to continue to trend up in the coming months as the market is supported by slower growth in global milk production. Milk volumes are growing more slowly than normal in the main dairy exporting nations. Late season production for New Zealand has been curbed by dry conditions in Waikato – the largest dairy production region. The slowing of New Zealand production is particularly supportive to whole milk powder which is expected to continue to track up in the coming months.

The meat and fibre index lifted 1.1% m/m in March. International prices for lamb softened slightly (-0.5% m/m) but prices are still 4.8% higher than a year ago. Wool prices also eased 2.3% in March as demand for coarse grade wool remains subdued. Lamb wool is doing a little better while demand for fine grade Merino wool is firmer. Beef prices lifted 2.9% due to stronger prices in the US for imported manufacturing grade meat. This market is being supported by lower offer volumes as New Zealand and Australia direct more beef to China.

The horticulture index was stable. The apple and kiwifruit picking seasons are well underway. Strong crops are expected but markets are expected to absorb the additional volume within hindering prices.
International **forestry** prices lifted 0.4% m/m in March, following a similar lift the previous month. Increased demand from China following the Chinese New Year holiday has kept pricing strong. Off-take of logs from Chinese ports for use in construction remains strong despite caution surrounding economic growth rates. Prices of both export grade logs and pulp logs lifted during March. Further lifts in the price of export grade logs are expected as the market remains firm. The price of pruned logs, used by mills to supply timber for the local housing market, have stabilised with signs of price deterioration in the lower North Island and South Island where supply is exceeding immediate demand.

**Aluminium** prices lifted 0.4% m/m in March, adding to the gains made in February. Supply from Russian aluminium company Rusal has resumed to Europe and the United States following sanctions being lifted at the end of January. Rusal plans to keep its 2019 production stable at 3.8 million tonnes. Continued investment by the company will result in increased production capacity. Rusal expects global aluminium demand to increase by 3.7% to 68 billion tonnes this year, with similar growth in demand expected in 2020.

**Sub group indices (world prices)**

<table>
<thead>
<tr>
<th></th>
<th>World Price Index</th>
<th>Monthly % Change</th>
<th>Annual % Change</th>
<th>NZD Index</th>
<th>Monthly % Change</th>
<th>Annual % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-15</td>
<td>296.9</td>
<td>..</td>
<td>-11.9</td>
<td>209.9</td>
<td>..</td>
<td>-2.5</td>
</tr>
<tr>
<td>Mar-16</td>
<td>230.5</td>
<td>..</td>
<td>-22.4</td>
<td>179.8</td>
<td>..</td>
<td>-14.3</td>
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<tr>
<td>Mar-17</td>
<td>283.5</td>
<td>..</td>
<td>23.0</td>
<td>209.4</td>
<td>..</td>
<td>16.5</td>
</tr>
<tr>
<td>Mar-18</td>
<td>300.0</td>
<td>..</td>
<td>5.8</td>
<td>220.0</td>
<td>..</td>
<td>5.0</td>
</tr>
<tr>
<td>Oct-18</td>
<td>278.2</td>
<td>-2.4</td>
<td>-5.6</td>
<td>223.8</td>
<td>-1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Nov-18</td>
<td>276.9</td>
<td>-0.5</td>
<td>-5.1</td>
<td>214.1</td>
<td>-4.4</td>
<td>-4.1</td>
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<tr>
<td>Dec-18</td>
<td>276.4</td>
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<td>-3.4</td>
<td>212.6</td>
<td>-0.7</td>
<td>-2.0</td>
</tr>
<tr>
<td>Jan-19</td>
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<td>-2.2</td>
<td>218.2</td>
<td>2.6</td>
<td>3.6</td>
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<tr>
<td>Feb-19</td>
<td>289.8</td>
<td>2.8</td>
<td>-2.2</td>
<td>222.4</td>
<td>2.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Mar-19</td>
<td>293.7</td>
<td>1.4</td>
<td>-2.1</td>
<td>225.5</td>
<td>1.4</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2018 year are: Wool 1.9%; Beef 9.9%; Lamb 12.1%; Venison 0.6%; Skins 1.2%; Dairy 38.0%; Apples 2.4%; Kiwifruit 7.0%; Logs 11.4%; Sawn Timber 3.5%; Wood Pulp 2.7%; Seafood 5.2%; Aluminium 4.0%
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