

ANZ Commodity Price Index

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The next issue of the ANZ Commodity Price Index is scheduled for release on 4 September 2019 at 1pm.

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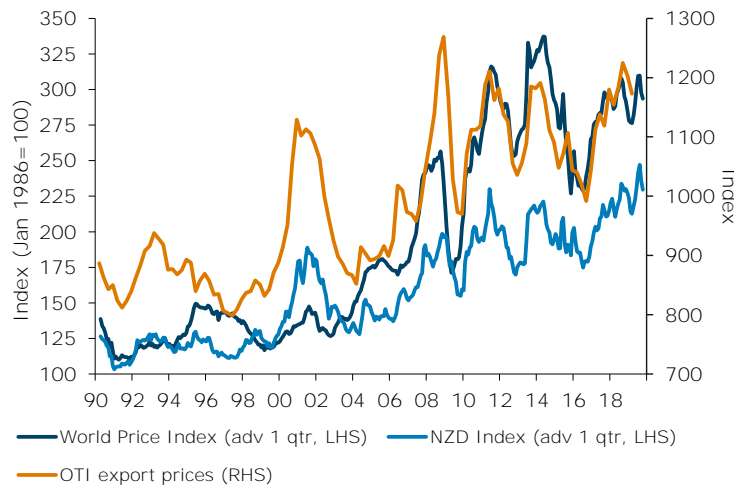
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Under pressure

The ANZ World Commodity Price Index fell 1.4% m/m in July. The recent fall in forestry prices weighed on the index, with dairy price movements also negative. The index has weakened by 0.5% in the past year.

The fall in the index was exacerbated by the strength of the New Zealand dollar during the month of July, resulting in the NZD Index falling 2.8% m/m.

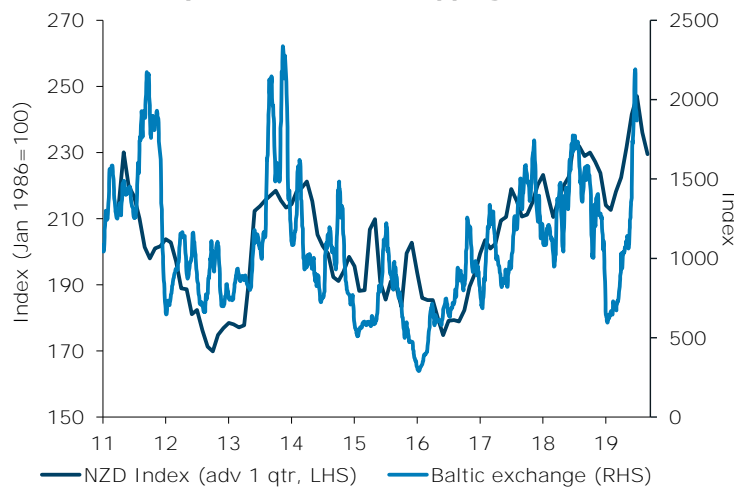
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Shipping costs increased sharply over 2019. The Baltic Dry Index moved from a trough of 595pts in February to above 2000pts in July. This was largely due to the supply of vessels easing while demand for shipping products like iron ore has been strong, bolstering freight rates. Shipping rates are expected to rise in 2020 in response to tightening environmental rules on fuel.

ANZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices fell 1.6% overall in July, but are now starting to firm. Butter and cheese prices remain under some pressure, particularly in Europe. New Zealand skim milk powder has been trading at a premium to product from other sources. Whole milk powder prices are stable and are expected to be supported in the year ahead by relatively tight supply.

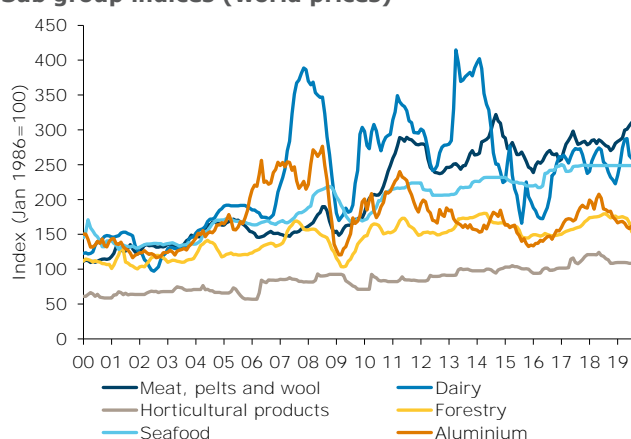
The **meat and fibre** index lifted 1.6% in July following a similar lift the previous month. Higher international prices were recorded for both beef and lamb, with strong demand from China the driving factor. Mutton prices are now at record levels, which is underpinning the value of ewes. Wool remains weak with prices back 14.2% from a year ago. Fine and medium-grade wools continue to be well supported, but prices are weak for coarse wools and any wool of low quality.

The **horticulture** index rose slightly, up 0.2% in July. Kiwifruit export prices are up while apple prices are down. A smaller apple size this season is one of the factors impacting returns.

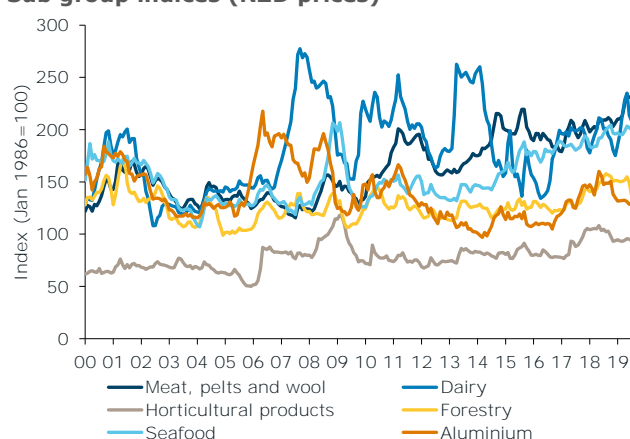
The **forestry** price index slipped a massive 8% as demand from China for logs fell away. A high level of supply of logs from New Zealand and other regions has resulted in a build-up of stock on wharves in China, at a time when usage rates have eased. Building activity slows in China during its hot summer months and buyers are also more cautious than normal due to the impact the trade war between China and the United States is having on manufacturing activity. Some of the logs exported to China are used to produce pallets to transport finished goods. The demand for pallets is falling due to manufacturing activity in China slowing.

Aluminium prices lifted 2.4% in July, to record the first positive price movement since March. Prices are still 13.1% behind levels one year ago.

Sub group indices (world prices)



Sub group indices (NZD prices)



Source: ANZ

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Jul-15	239.5	..	-22.1	189.9	..	-1.3
Jul-16	244.2	..	1.9	178.9	..	-5.8
Jul-17	295.7	..	21.1	210.6	..	17.7
Jul-18	295.1	..	-0.2	228.9	..	8.7
Feb-19	289.7	2.8	-2.2	222.4	2.0	3.2
Mar-19	301.8	4.1	0.6	231.6	4.1	5.3
Apr-19	309.6	2.6	2.2	241.5	4.3	8.5
May-19	309.8	0.1	0.7	247.1	2.3	5.7
Jun-19	297.8	-3.9	-2.4	236.1	-4.5	1.9
Jul-19	293.6	-1.4	-0.5	229.5	-2.8	0.3

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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