

ANZ Commodity Price Index

4 September 2019



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The next issue of the ANZ Commodity Price Index is scheduled for release on 3 October 2019 at 1pm.

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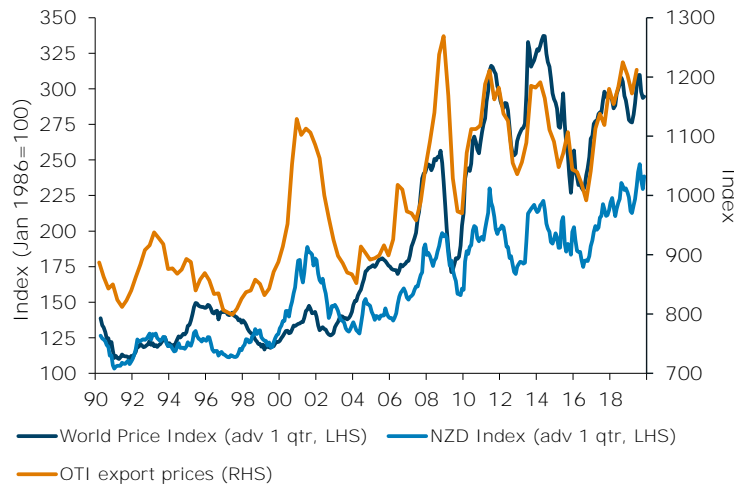
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Bouncing along

The ANZ World Commodity Price Index lifted 0.3% m/m in August following two months of weaker prices. Dairy and forestry sectors lifted in August but this was largely offset by weaker prices for meat and aluminium. The index has gained 0.9% in the past year.

In local currency terms the index lifted 3.9% m/m, bolstered by the 2.1% fall in the New Zealand dollar Trade Weighted Index during August. We are forecasting further downward currency movement in the coming months, supporting returns to New Zealand producers.

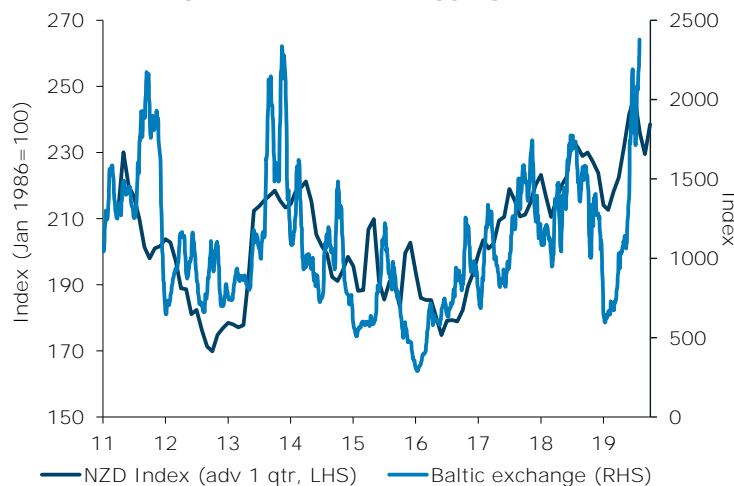
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Shipping costs were firmer in August despite concerns of slowing global trade as the trade war between China and the United States escalates. The Baltic Dry Index lifted 27% during August to reach its highest level in almost nine years. The supply of ships is reducing as owners dock ships to make alterations to meet the tighter environmental regulations that will be imposed next year.

ANZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices gained 1.3% in August, reversing the weakness seen the previous month. Milk powder prices firmed but butter prices softened. Dairy prices are currently bumping along but are yet to show the upward trend that slowing global growth in milk supply suggests is due.

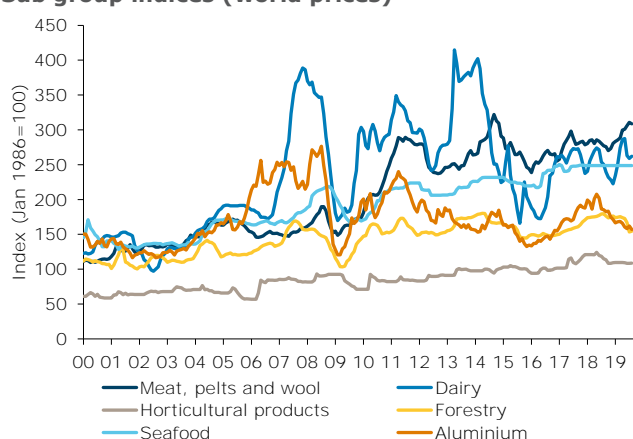
The **meat and fibre** index eased 0.7% during August after trending up for most of the year. Lamb prices firmed further on the back of lower seasonal supply, but beef prices eased slightly. Beef prices held firm during the peak processing period in autumn due to exceptionally strong demand from China. Demand from this market remains robust due to the swine flu epidemic but prices have eased slightly in USD terms on the back of the weakening of the yuan. Prices for coarse wool remain under pressure, with the trade war not helping.

The **horticulture** index rose slightly, with the 0.2% rise mirroring the previous month. Kiwifruit prices firmed again whilst apple prices eased. In-market prices for green kiwifruit are slightly firmer than they were a year ago. As the industry trends more towards gold production returns to growers have lifted further.

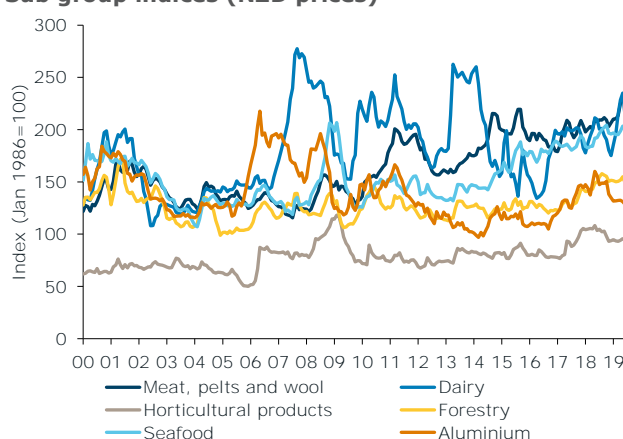
The **forestry** price index lifted 0.7% in August following a sharp downward correction in July. The fall in the in-market price of logs in China earlier in the winter resulted in a decrease in the quantity of trees being felled in New Zealand as some small woodlot owners elected to leave trees standing. Prices are now starting to recover and are expected to continue to lift as building activity picks up. Construction tends to stall during the hot summer months in China, but is now rebounding as temperatures ease.

Aluminium prices fell 3.1% in August after gaining 2.4% in July. The price of this metal has been bouncing along for some time. Recent tightening of production in China pushed up the aluminium price within that market but prices elsewhere remain subdued as concerns grow about weakening global economic conditions.

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
Aug-15	226.9	..	-23.6	183.3	..	-4.1
Aug-16	252.1	..	11.1	182.3	..	-0.5
Aug-17	293.2	..	16.3	211.2	..	15.8
Aug-18	291.9	..	-0.5	230.0	..	8.9
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
Aug-19	294.5	0.3	0.9	238.5	3.9	3.7

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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