

ANZ Commodity Price Index

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

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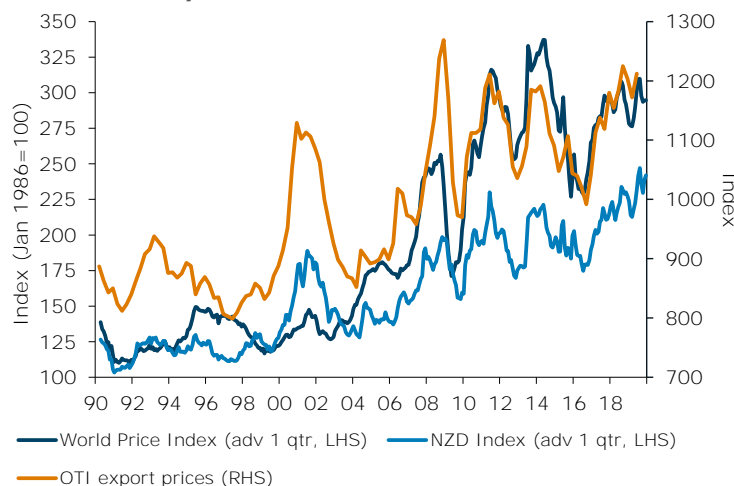
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TWI-light

The ANZ World Commodity Price Index was unchanged in September with gains in meat, forestry and aluminium offsetting weaker prices in the other sectors. The index is now 3.4% higher than year-ago levels.

In local currency terms the index lifted 1.4% m/m, bolstered by the 1.4% fall in the New Zealand dollar Trade Weighted Index during September. Further downward movement in the currency is expected to support returns to New Zealand producers in the coming months.

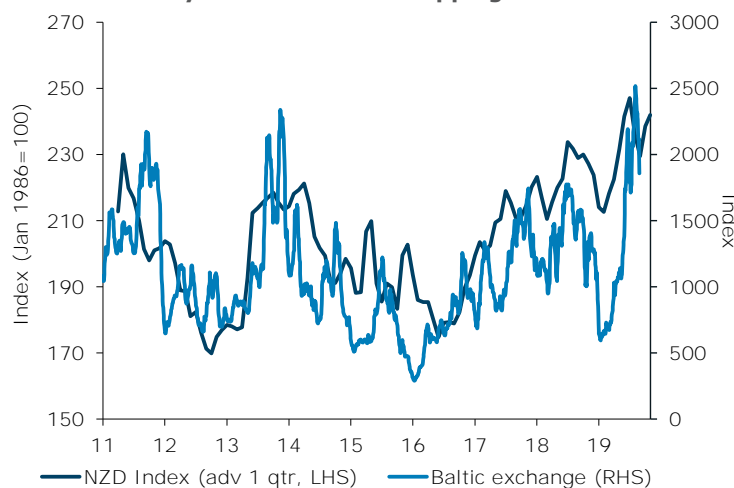
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Shipping costs softened in September as the trade tension between China and the United States reduced global confidence. The Baltic Dry Index fell 22% during September to eliminate the previous month's gain. Despite the recent correction, the index remains at elevated levels. Upward pressure on shipping prices is expected to occur in 2020 as tighter environmental regulations are imposed, impacting the viability of shipping bulky low-value products like logs.

ANZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices gave up some of the gains made in August, with prices back 0.5% in September. Prices for this category are expected to firm in the coming months as global prices are supported by low growth in global milk supplies. Skim milk powder (SMP) prices have lifted 27% over the past 12 months but prices for all other categories are currently weaker than they were a year ago. SMP prices are beginning to return to their normal relative price level against whole milk powder following a period of depressed prices due to the stocks of this product that built up in Europe following the removal of milk price quotas in 2015.

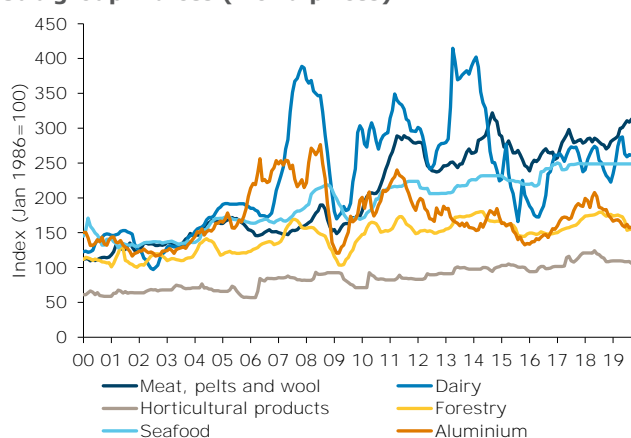
The **meat and fibre** index increased 1.6% during September, continuing the upward momentum that has been present throughout the year. Lamb prices lifted 2.4% in the past month while beef prices lifted 1.5%. Supply is low at this time of the season but both international prices and the prices farmers are receiving for stock being processed are at, or near, record levels.

The **horticulture** index fell 2.6% in September and is down 7% y/y. Kiwifruit prices firmed again whilst apple prices fell considerably. 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 this season are expected to lift further.

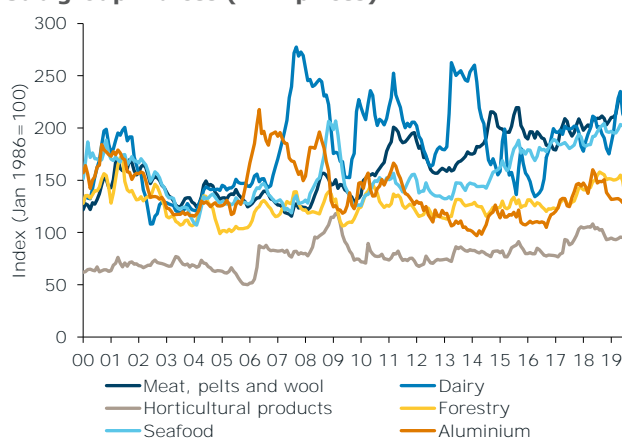
The **forestry** price index lifted 0.3% in September. Prices are gradually recovering from the sharp correction earlier this year; however, prices remain 12% weaker than year-ago levels. At present, the domestic market is supporting prices for the higher-quality logs that can be milled for construction use. The supply of timber continues to slow as some owners of small woodlots elect to delay harvest.

Aluminium prices lifted 0.7% in September. Price movements have oscillated from month to month but the price of this commodity has generally been tracking down. Prices are currently back 13% on an annual basis. Aluminium supply giant Rusal is currently negotiating prices for 2020 contracts with expectations from buyers that lower contract prices will be able to be negotiated. Global demand for aluminium is falling as manufacturing activity decreases. Most of the aluminium produced in New Zealand heads to Japan; prices are expected to ease but New Zealand producers should still maintain premium prices versus market.

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
Sep-15	239.5	..	-18.2	199.5	..	2.8
Sep-16	264.9	..	10.6	189.4	..	-5.1
Sep-17	295.4	..	11.5	214.8	..	13.4
Sep-18	284.9	..	-3.6	227.2	..	5.8
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	294.6	0.3	0.9	238.5	3.9	3.7
Sep-19	294.7	0.0	3.4	241.9	1.4	6.5

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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