

ANZ Commodity Price Index

13 January 2021



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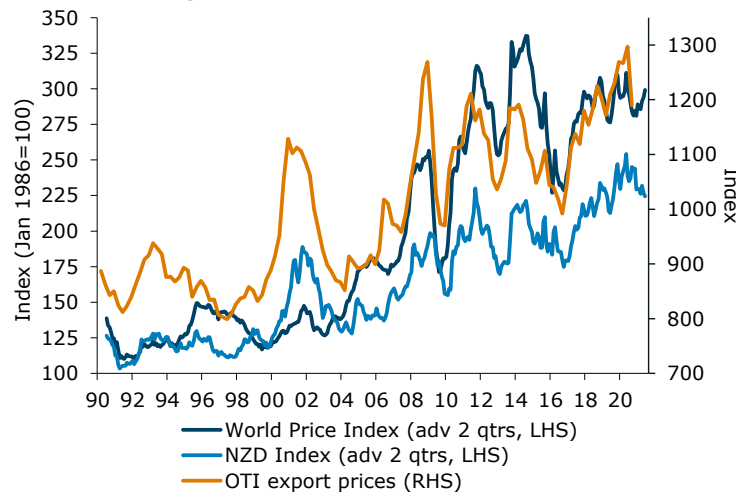
The next issue of the ANZ Commodity Price Index is scheduled for release on 3 February 2021 at 1pm.

Up, up and away?

The ANZ World Commodity Price Index farewelled 2020 with a 1.8% gain in the month of December, to finish the challenging year down just 0.4% y/y. Dairy, forestry and aluminium were the sectors that pushed the index higher.

In local currency terms the index fell 0.9%, as the Trade Weighted Index (TWI) gained 1.8%. The NZD strengthened in December against the currencies of all our main trading partners except the Australian dollar.

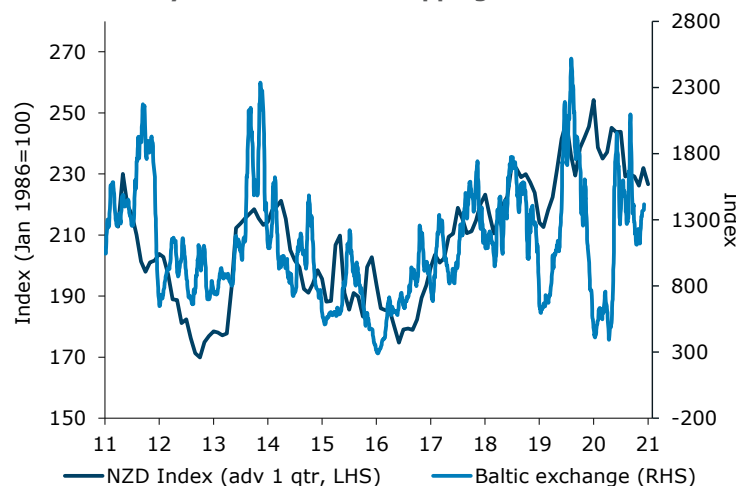
ANZ Commodity Price Index



Source: ANZ, Stats NZ

Global shipping costs lifted sharply during December as shipping companies lifted rates to offset the cost of delays at ports. Port congestion remains an issue – it is taking longer for ships to unload goods and in some cases goods are being diverted to alternative ports. Locally we continue to have delays at the Port of Auckland and several ports in China are also highly congested. Access to shipping containers remains an issue due to the slow turnaround times and some vessels not back-loading empty containers.

NZ Commodity Price Index and shipping costs



Source: ANZ, Bloomberg

Dairy prices lifted 4.3% in December to finish the year just 1.2% down. Strong gains were recorded for milk powders with whole milk powder up 5% and skim milk powder lifting 3.8%. Butter prices lifted 6.4% while cheese gained 2.8%. Demand for dairy products has not been notably impacted by the changing consumption habits associated with the social distancing measures that remain in place in many countries.

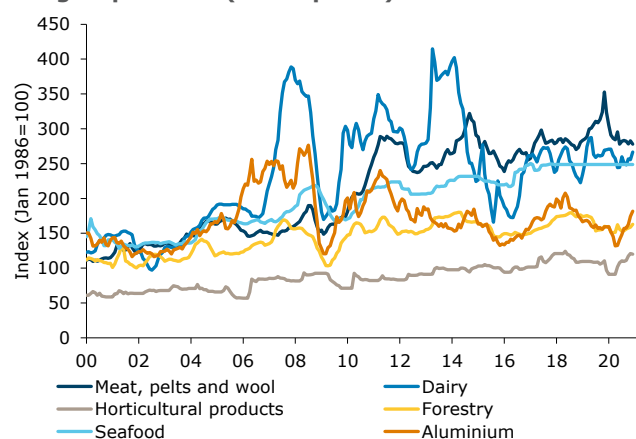
The **meat and fibre** index fell 1.7% in December. Prices for this sector have fallen 14.1% in the past year. Wool prices eased in December, after crawling upward for the previous six months. Wool prices are currently 20% weaker than a year ago and are expected to remain very weak for some time. Beef prices eased 2.4% in December and lamb prices fell another 1%. Beef pricing is still stronger than it was two years ago, but not as strong as it was in late 2019 when China and the US were aggressively competing for supply. Lamb prices have been impacted to a greater degree due to this being a higher value item that is more reliant on the restaurant trade.

The **horticulture** index eased slightly in December but limited volumes of product are exported at this time of the season. Export volumes of apples are expected to be a little lower this year due to the damage caused to fruit in the Motueka region by the Boxing Day hailstorm. Hops were also extensively damaged by this freak weather event. Meanwhile, heavy rains in central Otago severely damaged cherries that were destined for the lucrative Chinese New Year market.

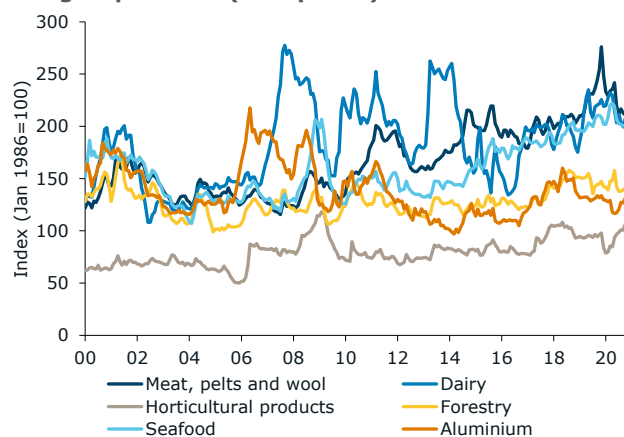
The **forestry** index gained 2.7% in December to finish the year up 2.3%. Demand for export logs remains strong, led by the recovery of China's economy. Domestic demand for logs to construct houses also remains strong.

Aluminium prices lifted 4.1% in December, having lifted nearly 14% in 2020. Prices are now at their highest level in over two years fuelled by strong global demand, particularly from China. China's investment in technology infrastructure such as 5G networks, ultra-high-voltage power transmission and big-data centres bodes well for aluminium demand.

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
Dec-16	277.3	..	16.5	203.6	..	9.4
Dec-17	286.2	..	3.2	217.0	..	6.6
Dec-18	276.4	..	-3.4	212.6	..	-2.0
Dec-19	300.5	..	8.7	238.7	..	12.2
Jul-20	289.1	2.9	-1.5	229.9	0.3	0.2
Aug-20	286.2	-1.0	-2.8	229.2	-0.3	-3.9
Sep-20	285.6	-0.2	-3.1	226.2	-1.3	-6.5
Oct-20	291.3	2.0	-2.3	231.9	2.5	-5.6
Nov-20	294.0	0.9	-5.5	226.6	-2.3	-10.9
Dec-20	299.2	1.8	-0.4	224.5	-0.9	-5.9

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2019 year are: Wool 1.6%; Beef 10.9%; Lamb 11.7%; Venison 0.5%; Skins 0.8%; Dairy 40.2%; Apples 2.6%; Kiwifruit 6.8%; Logs 10.4%; Sawn Timber 3.1%; Wood Pulp 2.2%; Seafood 5.5%; Aluminium 3.6%



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