Onward and upward

The ANZ World Commodity Price Index lifted 3.3% m/m in February to reach its highest level since April 2014. The dairy sector provided much of the impetus, supported by strong prices for meat, forestry and aluminium.

In local currency terms the index gained 2.7%, as the Trade Weighted Index (TWI) gained a further 0.6%.

Global shipping costs continue to appreciate as disruption to shipping schedules due to port congestion add to the cost of moving goods. The Baltic Dry Index – a lead indicator of economic conditions – lifted 15% during February. Container shortages continue and some Chinese ports are now offering incentives to shipping companies to return empty containers that have built up in North America.

Source: ANZ, Bloomberg
**Dairy** prices lifted 4.5% in February, with prices 9.6% higher than a year ago. Whole milk powder prices have increased 15% in the past year with a 4.7% increase occurring in February. Butter prices lifted 7.8% m/m while skim milk powder prices stabilised. Dairy prices continue to be driven by strong demand from Chinese importers.

The **meat and fibre** index gained 3.5% in February. Price movements have been mixed over the past year but are now 3.1% higher than a year ago, which has been driven by stronger returns for beef. Beef demand remains robust in both the US and China, while lower supplies, particularly from Australia, have also been supportive of pricing. Demand for the lower-value lamb cuts remains robust but pricing for the higher-end cuts typically consumed in restaurants remains weak.

The **horticulture** index is unchanged as very little produce is traded at this time of the season. New-season apples will begin to be harvested soon, with kiwifruit commencing a little later. Demand for healthy products such as fruit has remained robust throughout the pandemic, but labour shortages and logistical challenges won’t make it an easy season for the industry.

The **forestry** index gained 3.2% in February. Log prices have lifted 21.3% in the past year while wood pulp pricing has softened slightly. New Zealand logs continue to head to China. Demand slowed during the Chinese New Year holiday period but stocks were relatively low ahead of the holiday break, indicating demand for imported logs should lift again relatively quickly.

**Aluminium** pricing continues to oscillate, with prices lifting 3.8% in February. Over the past year aluminium prices have lifted 22.4% as demand for this metal rises. An increase in the use of aluminium cans for soft drinks and alcohol is one of the main drivers in demand for this metal. China has provided most of the recent support for aluminium pricing but planned increased in global production capacity could cap further price increases.

### 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>
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<tr>
<td>Feb-17</td>
<td>282.3</td>
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<td>20.9</td>
<td>202.4</td>
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<td>5.0</td>
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<td>6.5</td>
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<td>-2.2</td>
<td>222.4</td>
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<td>3.2</td>
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<td>..</td>
<td>0.1</td>
<td>237.1</td>
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<td>6.6</td>
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<td>11.1</td>
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Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2020 year are: Wool 1.2%; Beef 11.3%; Lamb 11.9%; Venison 0.5%; Skins 0.6%; Dairy 41.4%; Apples 2.8%; Kiwifruit 8.1%; Logs 9.4%; Sawn Timber 3.0%; Wood Pulp 1.9%; Seafood 4.9%; Aluminium 3.1%.

Source: ANZ
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