**Dizzy heights**

The ANZ World Commodity Price Index lifted 1.3% m/m in May, its eighth consecutive lift. Prices for all major categories of commodities lifted, pushing the index to a record level.

In local currency terms the index gained 1.0% m/m, as stronger commodity prices were partially offset by the Trade Weighted Index firming 0.6%.

**ANZ Commodity Price Index**

![Graph showing the ANZ Commodity Price Index]

Source: ANZ, Stats NZ

**Global shipping costs** for containers are starting to stabilise at elevated levels, but shipping delays are expected to linger for at least the remainder of the year. The Baltic Dry Index peaked in early May at its highest level in the past decade but is now showing signs of retreating. Exporting to Asia is easier than further afield, hence a larger portion of goods is now moving in this direction.

**NZ Commodity Price Index and shipping costs**

![Graph showing the NZ Commodity Price Index and shipping costs]

Source: ANZ, Bloomberg
Dairy prices lifted just 0.2% in May as stronger prices for skim milk powder, butter and cheese were largely offset by weaker prices for whole milk powder (WMP). Despite the slight easing in May, WMP prices are still 54% higher than a year ago. The rise in the other categories of dairy has not been as dramatic. Growth in global milk supply will test demand depth in the coming months.

The meat and fibre index lifted 1.4% in May, but is poised to lift further in the coming months as vaccination rates lift allowing for more dining out in Europe and the US. Meanwhile the global supply of meat is becoming tighter, a situation that has only been aggravated by the temporary shutdown of meat processing plants owned by JBS following a cyber-attack.

The horticulture index lifted 1.7% as prices lift for new-season apples. The lift in price will not be sufficient to offset the massive loss of volume as fruit was left unpicked due to the labour shortage. The kiwifruit industry is also struggling for labour in the orchards and at post-harvest processing facilities. It is difficult to see how the horticultural industry can expand without the labour issue being addressed. Zespri recently granted licenses for a further 750 hectares of Sungold (including organic) and 350 hectares of Red to be planted. However, Zespri will consider industry capacity before the next round of licenses are released. Due to the lead time for kiwifruit vines to reach maturity there will still be a lot more fruit to harvest in the coming seasons.

Aluminium prices continue to rapidly appreciate, gaining a further 5.6% in May. Aluminium is now worth 65% more than a year ago. Global demand for aluminium is forecast to lift 8% this year which is expected to erode stocks and force some buyers to use lower grade aluminium.

<table>
<thead>
<tr>
<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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<tbody>
<tr>
<td>May-17</td>
<td>291.9</td>
<td>..</td>
<td>26.3</td>
<td>219.0</td>
<td>..</td>
</tr>
<tr>
<td>May-18</td>
<td>307.7</td>
<td>..</td>
<td>5.4</td>
<td>233.8</td>
<td>..</td>
</tr>
<tr>
<td>May-19</td>
<td>309.8</td>
<td>..</td>
<td>0.7</td>
<td>247.1</td>
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<tr>
<td>May-20</td>
<td>284.6</td>
<td>..</td>
<td>-8.1</td>
<td>243.8</td>
<td>..</td>
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<tr>
<td>Dec-20</td>
<td>299.2</td>
<td>1.8</td>
<td>-0.4</td>
<td>224.5</td>
<td>-0.9</td>
</tr>
<tr>
<td>Jan-21</td>
<td>311.9</td>
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<td>5.2</td>
<td>231.2</td>
<td>3.0</td>
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<tr>
<td>Feb-21</td>
<td>322.1</td>
<td>3.3</td>
<td>11.0</td>
<td>237.3</td>
<td>2.6</td>
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<tr>
<td>Mar-21</td>
<td>341.6</td>
<td>6.1</td>
<td>20.2</td>
<td>254.9</td>
<td>7.4</td>
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<tr>
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<td>2.3</td>
<td>24.4</td>
<td>260.7</td>
<td>2.3</td>
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<tr>
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<td>1.3</td>
<td>24.4</td>
<td>263.2</td>
<td>1.0</td>
</tr>
</tbody>
</table>

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%.
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