

ANZ Commodity Price Index

4 November 2021



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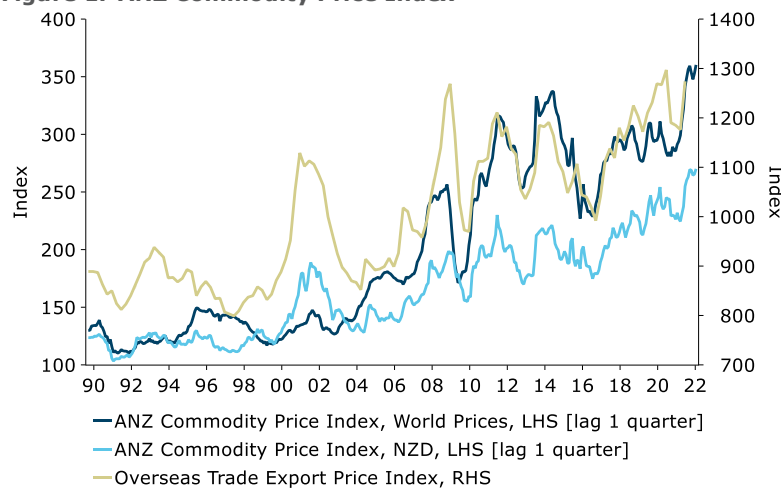
The next issue of the ANZ Commodity Price Index is scheduled for release on 6 December 2021 at 1pm.

Above the clouds

The ANZ World Commodity Price Index lifted 2.1% in October, shooting above its previous record high. Dairy and aluminium delivered strong gains, while the meat sub-index broke new ground.

In local currency terms, the index gained 1.7% as the NZD-TWI firmed against the euro and the yen.

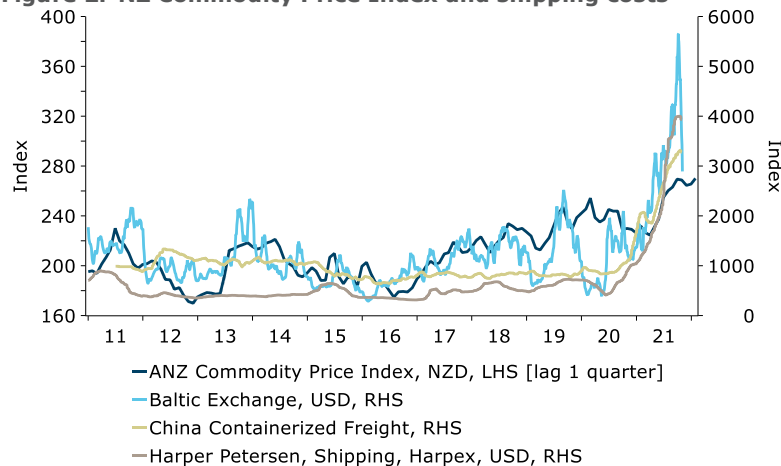
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping costs remain elevated but prices are showing some indications of stabilising. Two leading cost indicators, the Harper Peterson World Container Index and the Shanghai China Containerised Freight Index, finished October at a similar level to the start of the month, while the more volatile Baltic Dry Index fell 32% during the month. But locally we are yet to see any drop in prices as firms continue to increase freight charges. Freight disruption challenges are expected to continue well into 2022 – contributing to our forecast that NZ inflation will peak just under 6% in Q1.

Figure 2. NZ Commodity Price Index and shipping costs



Source: Baltic Exchange, Harper Petersen & Co., Shanghai Shipping Exchange, Macrobond, ANZ Research

Dairy prices lifted 3.7% m/m in October as relatively tight global milk supply pushed up the price of dairy commodities. Milk growth is relatively constrained in most of the major dairy-exporting regions of the world. NZ has had a slow start to the production season as excessively wet weather resulted in more pasture damage than normal and has slowed regrowth. Meanwhile, demand for dairy products remains steady with some additional demand coming from regions that have purchased a little less in recent months.

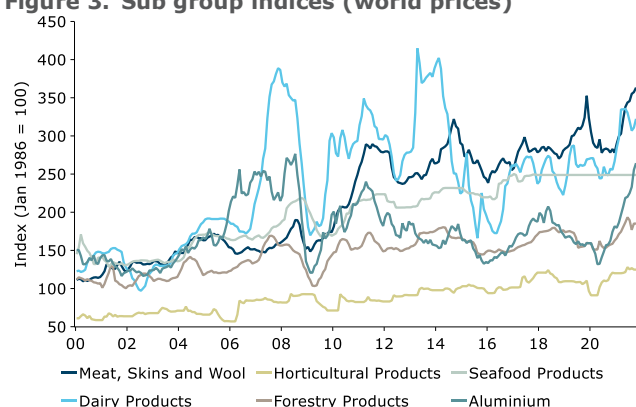
The **meat and fibre** index lifted 1.6% m/m in October to hit a record level. Strong price gains were recorded for beef, and lamb returns have hit record levels, offsetting the softer pricing for wool. Global beef supply has been constrained due to restrictions on exports from Brazil and Argentina and limited supply from Australia as herd rebuilding takes place. Lamb supply is also relatively constrained due to low seasonal volumes from New Zealand and Australia, which has been supportive of prices. Unfortunately, wool prices have eased again following an improvement earlier in the year. Wool industry initiatives are being developed but are yet to deliver higher average returns.

The **horticulture** index was relatively unchanged during October. The kiwifruit industry continues to expand, with Zespri planning to release licenses for SunGold, albeit at a lower volume than in previous years. This is also being supplemented by much larger volumes of licenses for Ruby Red – the new red variety of fruit which is proving popular with consumers.

The **forestry** index was unchanged in October. Prices have been bobbing around at elevated levels for some time. Demand from China is picking up, but congestion makes it difficult to get logs into some ports. Local demand for timber for structural requirements remains robust and local prices are very competitive with export prices. Harvesting is slowing in NZ, which is expected to be supportive to prices.

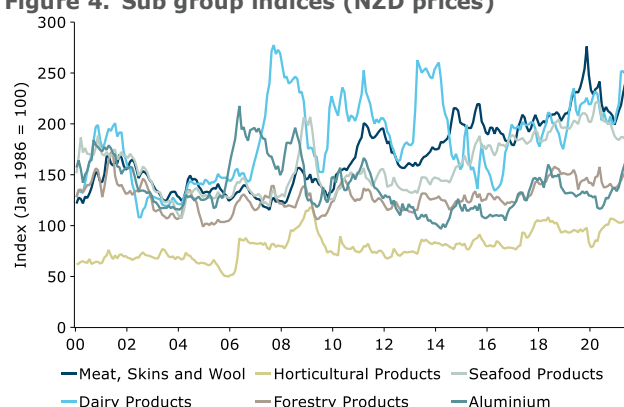
Aluminium prices lifted a further 3.5% in October following a massive 9.5% increase in September. Energy shortages have reduced the production of aluminium in China – the world’s largest producer of this energy-intensive metal. Meanwhile the EU and US have agreed to lower tariffs on aluminium, which have been prohibitive to trade, and encouraged an increasing reliance on lower-grade product from China.

Figure 3. Sub group indices (world prices)



Source: Macrobond, ANZ Research

Figure 4. Sub group indices (NZD prices)



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Oct-17	294.6	..	10.4	220.2	..	13.8
Oct-18	278.2	..	-5.6	223.8	..	1.7
Oct-19	298.2	..	7.2	245.6	..	9.7
Oct-20	291.3	..	-2.3	231.9	..	-5.6
May-21	356.3	2.1	25.2	263.1	1.1	7.9
Jun-21	359.4	0.9	28.0	269.4	2.4	17.5
Jul-21	353.3	-1.7	22.2	268.8	-0.2	16.9
Aug-21	347.7	-1.6	21.5	264.5	-1.6	15.4
Sep-21	353.0	1.5	23.6	265.5	0.4	17.4
Oct-21	360.3	2.1	23.7	270.1	1.7	16.4

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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