

# ANZ Commodity Price Index

5 September 2022



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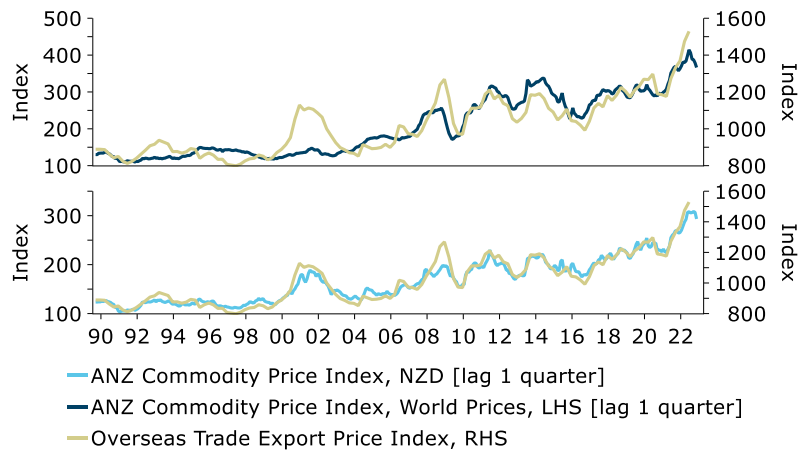
The next issue of the ANZ Commodity Price Index is scheduled for release on 6 October at 1pm.

Confused by acronyms or jargon? See a glossary [here](#).

## Dairy demand softens

The ANZ World Commodity Price Index fell 3.3% in August, with the pace of decline accelerating in the past three months. In NZD terms the decline was even greater, with the index falling 4.4% as our currency appreciated 1.1% according to the Trade Weighted Index.

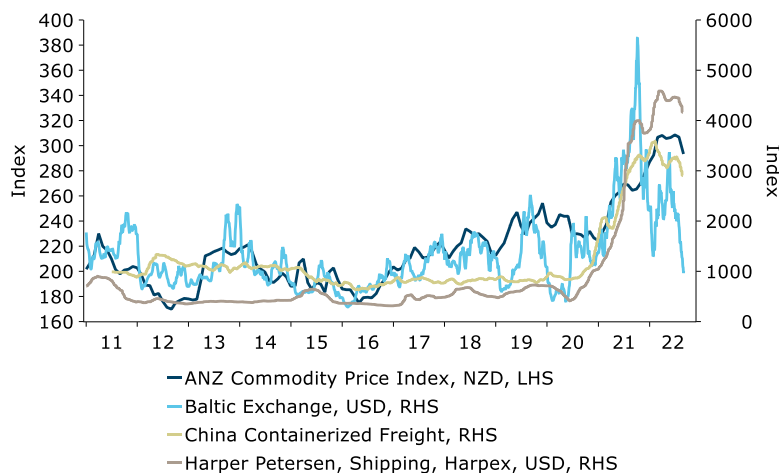
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

**Global shipping prices** are now trending down. The extremely volatile Baltic Dry Index fell nearly 50% in August. Price movements have been more subdued in the indices that are more closely aligned with the cost of exporting containers from New Zealand. It is now clear that shipping prices are easing, but they remain way above pre-pandemic levels. Global shipping demand appears to be easing, which will take some of the pressure off the industry, but it also indicates global demand for goods is falling.

## ANZ Commodity Price Index and shipping costs



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

**Dairy** prices fell a massive 8.2% month-on-month (m/m) in August, but there are encouraging signs that prices may lift again soon. Milk production volumes remain low in most major dairy-exporting countries, which is helping to offset the weak demand for dairy products. Milk powder prices were hardest hit during August, with whole milk powder falling 10.5% and skim milk powder dropping by 11.6% in value.

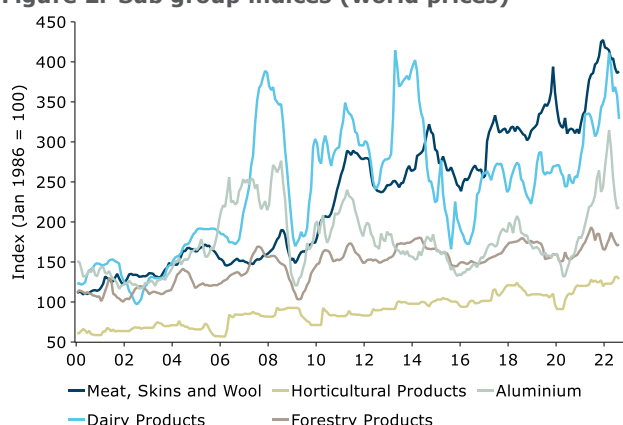
The **meat and fibre** index lifted 0.6% in August and prices are now back just 2.2% year-on-year (y/y). Beef prices lifted 1.3%, offsetting the small (0.3%) decline in lamb prices. Lamb is highly exposed to markets in China and Europe, and in both of these regions economic growth is under pressure. Beef is also highly exposed to China but it is a cheaper meat, and New Zealand is a relatively small supplier of beef to China. China's demand for our beef has therefore been more resilient than demand for our lamb.

The **horticulture** index dropped 2.3% in August as apple prices plummeted. It has been a very challenging season for fruit exporters due to quality issues. Poor weather conditions at harvest time has meant more fruit is deteriorating in cool stores than is normally the case. This is occurring for both kiwifruit and apples, which is resulting in lower volumes of fruit available for export markets and downward pressure on export prices. This is also impacting returns at the orchard gate, which is a real blow for growers who have incurred higher costs than normal in producing and harvesting their fruit.

The **forestry** index lifted 1.0% in August, reversing the downward trend seen over the previous three months. Export log prices lifted 1.3% in August to end the month down just 4.8% y/y.

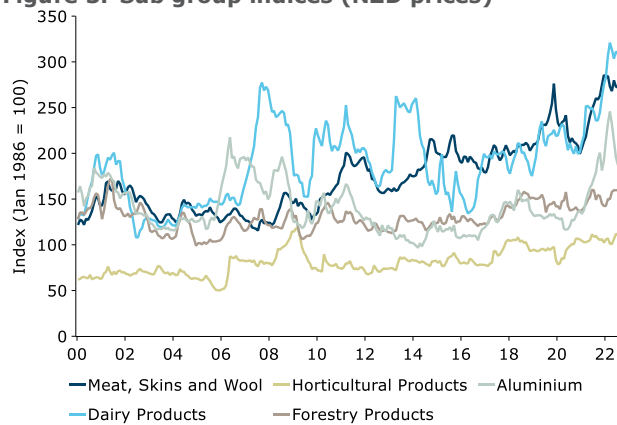
**Aluminium** prices also lifted 1.0% m/m during August, having fallen 31% since March. Prices for this metal are expected to be supported by limited supply and increasing demand. Production is limited due to some factories shutting down, or reducing capacity, due to high energy prices. Demand for more green energy solutions such as electric vehicles and solar panels is expected to underpin demand for aluminium in the medium term.

**Figure 2. Sub group indices (world prices)**



Source: Macrobond, ANZ Research

**Figure 3. Sub group indices (NZD prices)**



Source: Macrobond, ANZ Research

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Aug-18	<b>300.1</b>	..	-0.5	<b>230.0</b>	..	8.9
Aug-19	<b>302.9</b>	..	0.9	<b>238.5</b>	..	3.7
Aug-20	<b>294.2</b>	..	-2.8	<b>229.2</b>	..	-3.9
Aug-21	<b>357.5</b>	..	21.5	<b>264.5</b>	..	15.4
Mar-22	<b>414.4</b>	3.9	18.0	<b>308.1</b>	0.5	20.9
Apr-22	<b>406.4</b>	-1.9	13.2	<b>305.7</b>	-0.8	17.5
May-22	<b>388.9</b>	-4.3	6.2	<b>306.4</b>	0.2	16.5
Jun-22	<b>387.4</b>	-0.4	4.8	<b>308.5</b>	0.7	14.5
Jul-22	<b>378.9</b>	-2.2	4.3	<b>306.8</b>	-0.6	14.2
Aug-22	<b>366.3</b>	-3.3	2.5	<b>293.4</b>	-4.4	10.9

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2021 year are: Wool 1.2%; Beef 11.1%; Lamb 11.3%; Venison 0.4%; Skins 0.7%; Dairy 40.8%; Apples 2.3%; Kiwifruit 7.7%; Logs 11.0%; Sawn Timber 3.0%; Wood Pulp 2.0%; Seafood 4.6%; Aluminium 3.9%.



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