

ANZ Commodity Price Index

11 January 2023



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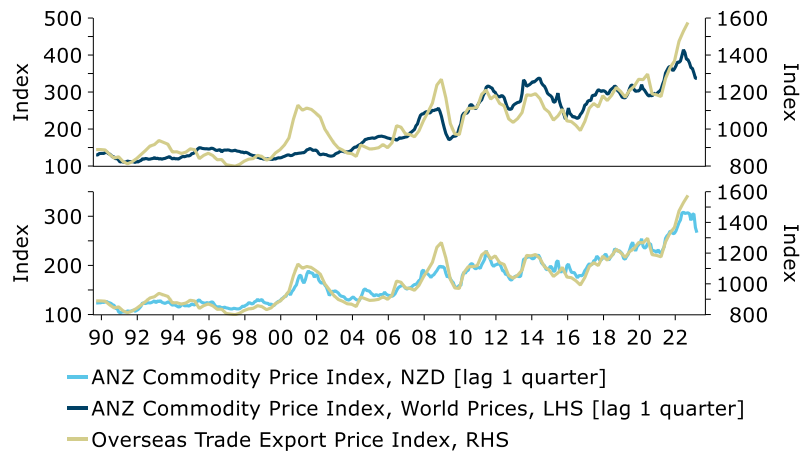
The next issue of the ANZ Commodity Price Index is scheduled for release on 7 February 2023 at 1pm.

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

Soft end to the year

The ANZ World Commodity Price Index fell just 0.1% in December, as higher aluminium and dairy prices helped offset weaker returns for meat. In local currency terms the index dropped 3.8%, as the NZD appreciated 2.1% against the Trade Weighted Index.

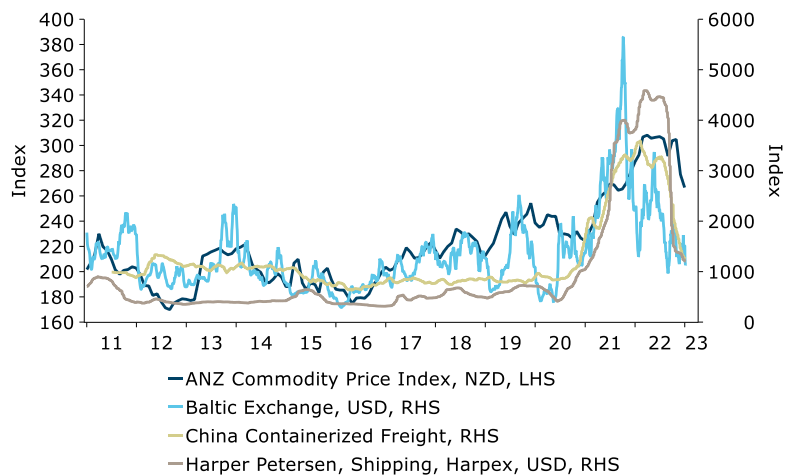
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices have fallen sharply and are nearing pre-pandemic levels. Demand for container shipping has also fallen as consumer demand for manufactured goods eases. Ship operating costs have reduced due to lower fuel prices, as well as fewer delays at ports as congestion dissipates. Shipping demand is expected to remain weak until after the Chinese New Year holiday period, with the volume of goods traded globally throughout 2023 forecast to remain subdued.

ANZ Commodity Price Index and shipping costs



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

Dairy prices gained 0.5% month-on-month (m/m) in December with prices bouncing around throughout the month. Overall the dairy markets are starting 2023 with prices 11.2% lower than a year ago, in world price terms. Global milk supplies are starting to lift while consumer demand remains weak, a combination expected to keep price in check in 2023. China's reopening will be positive for demand but that won't occur immediately.

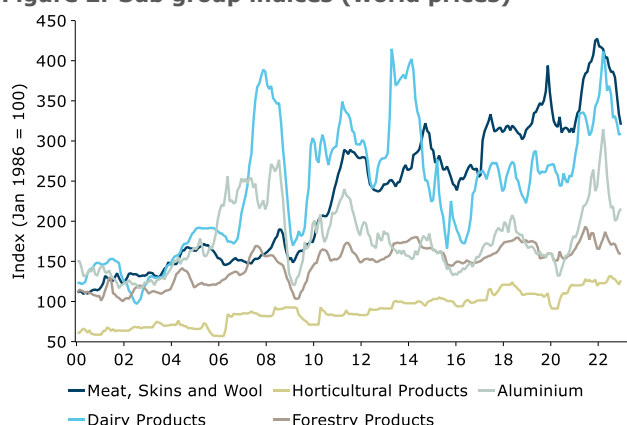
The **meat and fibre** index continues to soften, falling a further 3.9% m/m during December. In the past year meat and fibre prices have fallen 25%, with beef prices down 28% and lamb prices down 26%. Wool prices also fell another 10.6% year-on-year (y/y). Demand for meat is being impacted by tighter economic conditions in most of our export markets. Lamb and mutton prices have been particularly impacted by the measures taken by China in 2022 to limit the spread of COVID-19.

The **horticulture** index did firm 4.3% m/m during December but this coincides with the seasonal lull in exports of kiwifruit and apples from New Zealand. The horticultural index is up 5.6% y/y but this is of little consolation for growers whose costs have risen at a significantly higher rate. Horticulturalists continue to battle with high operating costs, due primarily to the extremely tight labour market.

The **forestry** index also declined just 0.1% m/m in December to finish 2022 down 3.8% y/y. Log prices have trended down since April. Log exports are heavily concentrated on China, with demand impacted by the lockdowns in 2022. Demand for logs from China is anticipated to improve again after the Chinese New Year holiday period ends.

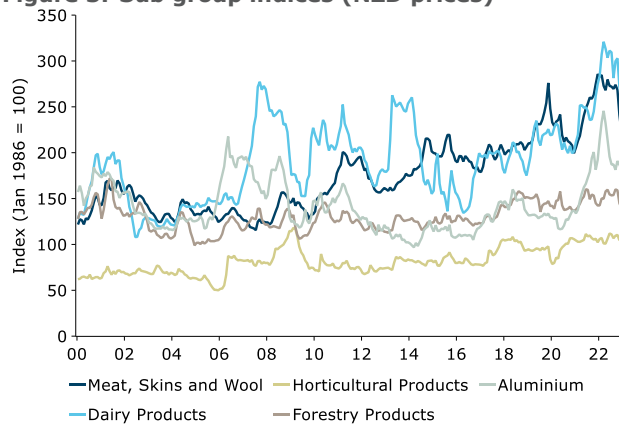
Aluminium prices rose for the third consecutive month lifting 1.9% m/m in December. Despite the uptick in prices in late 2022, prices still ended the year down 11.4% y/y. The price of aluminium does vary depending on its source. Russia is a major supplier of aluminium to global markets despite the current political situation. Demand for sustainably produced aluminium is rising, which means there is strong demand for New Zealand aluminium due to hydro being the main source of electricity for the Tiwai smelter.

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
Dec-18	284.2	..	-3.4	212.6	..	-2.0
Dec-19	308.9	..	8.7	238.7	..	12.2
Dec-20	307.6	..	-0.4	224.5	..	-5.9
Dec-21	380.0	..	23.5	287.0	..	27.8
Jul-22	378.9	-2.2	4.3	305.2	-0.6	13.6
Aug-22	365.9	-3.4	2.4	291.6	-4.5	10.3
Sep-22	363.7	-0.6	0.2	303.8	4.2	14.4
Oct-22	351.2	-3.4	-5.3	304.8	0.3	12.8
Nov-22	337.3	-4.0	-11.5	277.0	-9.1	-0.5
Dec-22	336.8	-0.1	-11.4	266.6	-3.8	-7.1

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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