

ANZ Commodity Price Index

6 March 2023



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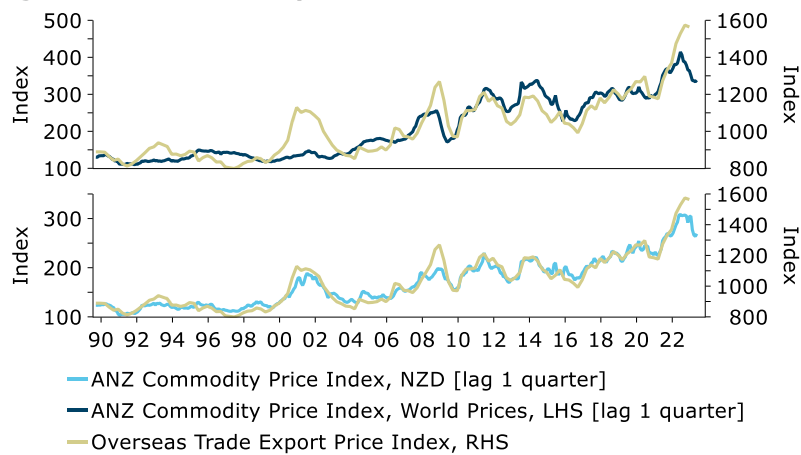
The next issue of the ANZ Commodity Price Index is scheduled for release on 6 April 2023 at 1pm.

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

Picking up

The ANZ World Commodity Price Index increased 1.3% m/m in February, a welcome lift after 10 consecutive monthly falls. Stronger returns for meat and forestry products were the main drivers. In local currency terms the index gained 2.0% m/m, supported by a 0.8% m/m easing of the NZD against the Trade Weighted Index.

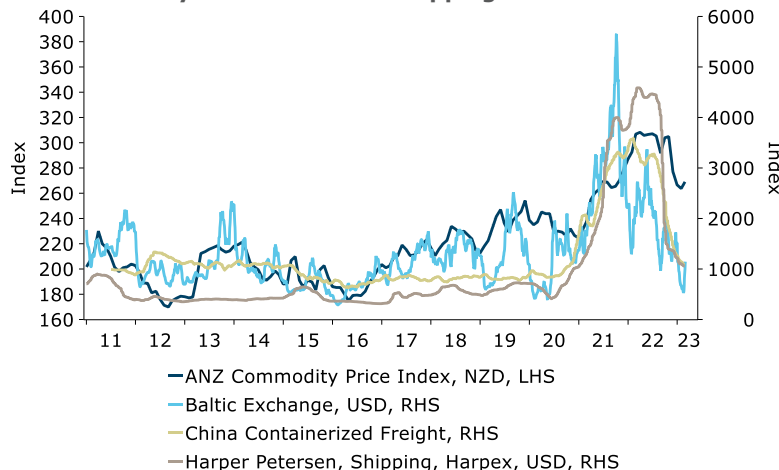
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices generally trended lower during February for New Zealand exporters. This is reflected in the indices for containerised movements in the graph below. But the more volatile Baltic Dry Index, which monitors the cost of moving bulk goods, did rebound in late February. The main driver of higher bulk shipping costs is increased demand from China for inputs such as coal and oil since their lockdowns were removed, and the expectation that China's manufacturing sector will continue to rebound and produce more goods to be shipped around the world. This could eventually put upwards pressure on container shipping prices.

ANZ Commodity Price Index and shipping costs



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

Dairy prices lifted 0.2% month-on-month (m/m) in February, with the dairy auctions delivering mixed results. There is a strong expectation that improved economic activity in China will drive increased demand for dairy products, but this is yet to really materialise. There are strong indications that consumer confidence in China is improving, which should support a lift in demand. But price impacts may be tempered by the existing stocks of milk powder in this market and the quantity of milk being produced domestically in China.

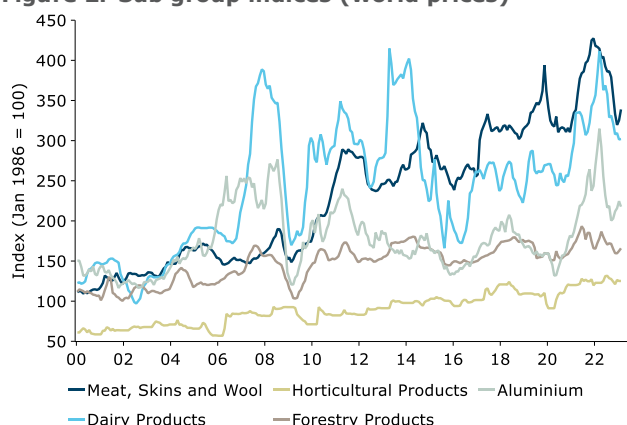
The **meat and fibre** index gained a solid 4.2% m/m in February, although exporters are still struggling to move as much product as they would like into our international markets. Beef prices continued to lift, up 6.6% m/m, while lamb prices rose 2.3% m/m. Despite these recent improvements, prices for beef and lamb are both 20% lower than a year ago. Wool prices managed a 1.2% lift in February, but the industry is currently facing oversupply, with stocks building up throughout the supply chain.

The **horticulture** index was unchanged this month as we are currently in the off-season for sales of apples and kiwifruit. Both industries have been impacted by the recent cyclone, particularly Hawke’s Bay apple growers and packhouses. The quantity of apples available to export this season will be significantly lower, which is expected to support prices to some extent.

The **forestry** index gained 2.1% m/m in February as the value of export logs improved. Chinese demand for logs has improved since the lockdowns ended, and export prices have also been supported by reduced supply of logs from other exporters such as Europe, Russia and Uruguay. The supply of logs from New Zealand is expected to be negatively impacted in the short term due to the damage to infrastructure caused by Cyclone Gabrielle. Domestic demand for timber is currently weak due to the downturn in the property sector.

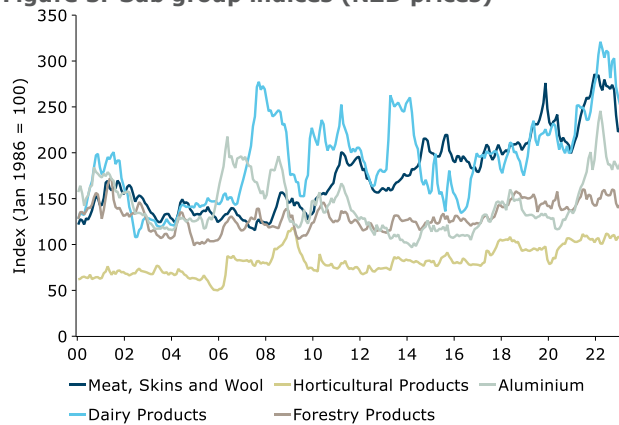
Aluminium lost ground in February, with prices falling 3.0%. Global aluminium prices have been negatively impacted by higher stock levels. In a widely anticipated move the US recently placed tariffs of 200% on aluminium imports from Russia, which has caused some disruptions to markets.

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
Feb-19	297.9	..	-2.2	222.4	..	3.2
Feb-20	298.2	..	0.1	237.1	..	6.6
Feb-21	331.1	..	11.0	237.3	..	0.1
Feb-22	398.8	..	20.4	306.8	..	29.3
Sep-22	363.8	-0.6	0.2	303.9	4.2	14.5
Oct-22	351.3	-3.4	-5.2	304.9	0.3	12.8
Nov-22	337.4	-4.0	-11.5	277.2	-9.1	-0.5
Dec-22	336.8	-0.2	-11.4	266.6	-3.8	-7.1
Jan-23	333.7	-0.9	-13.1	263.7	-1.1	-9.9
Feb-23	338.1	1.3	-15.2	269.0	2.0	-12.3

Commodity Price Index weights are based on contributions to merchandise exports for the prior calendar year. Weights for the 2022 year are: Wool 1.1%; Beef 12.0%; Lamb 10.7%; Venison 0.4%; Skins 0.8%; Dairy 43.8%; Apples 2.2%; Kiwifruit 6.5%; Logs 8.8%; Sawn Timber 2.8%; Wood Pulp 2.3%; Seafood 4.5%; Aluminium 4.1%.



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