

ANZ Commodity Price Index

3 August 2023



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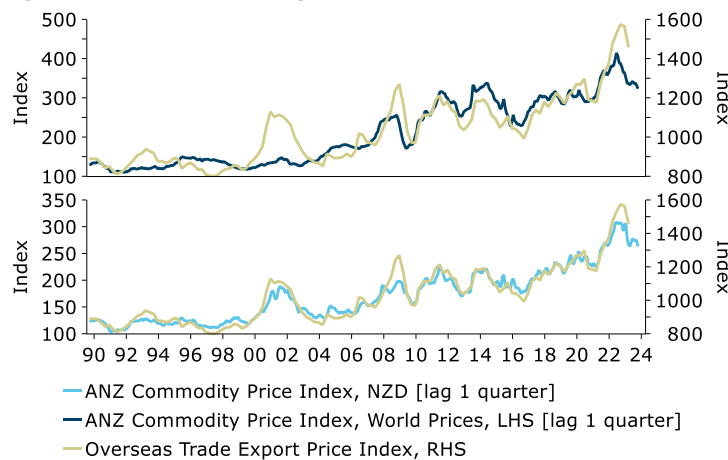
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 September 2023 at 1pm.

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

Commodity prices under pressure

The ANZ World Commodity Price Index fell 2.6% m/m in July. Meat, dairy and aluminium prices all fell as global demand for these commodities weakened further. In local currency terms the index fell 3.8% m/m, as the NZD appreciated 1.2% in Trade Weighted Index terms.

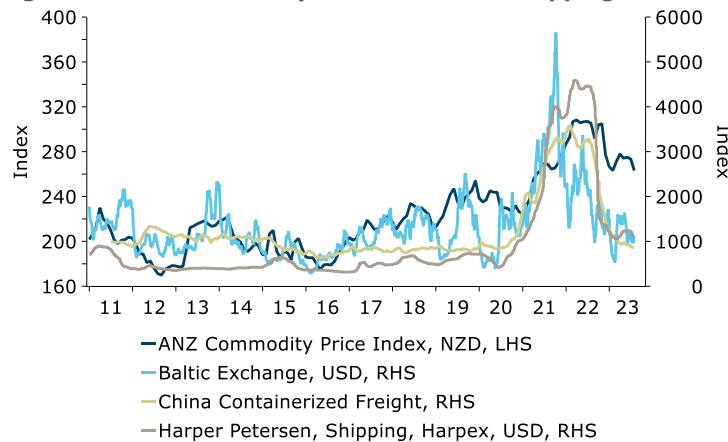
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping price movements were mixed in July. The Baltic Dry Index lifted during the month, whilst the Harper Peterson Global Index and the China Containerised Index both eased. Shipping prices are expected to remain relatively soft due to tighter global economic conditions reducing demand for goods, but any increase in fuel prices could put upward pressure on global shipping prices once again.

Figure 2. ANZ Commodity Price Index and shipping costs



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

Dairy prices fell 3.1% month-on-month (m/m) in July with prices down 20% year-on-year (y/y). Global demand for dairy products is weak at present and this is particularly noticeable in the products that are heavily reliant on demand from China, including milk powders. Global milk production is slowing as margins are squeezed by high operating costs and weakening farmgate prices.

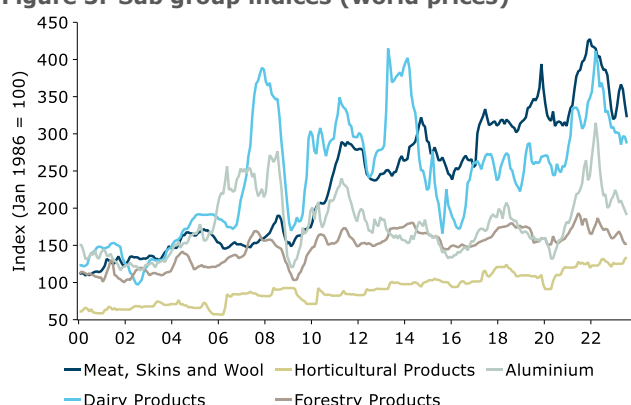
The **meat and fibre** index fell 5.1% m/m in July. Lamb prices fell 4.6% and further falls are anticipated as it is becoming very challenging to sell to our international markets at present. Beef prices fell 5.8% as increased volumes of beef hit the international markets. And unfortunately, wool pricing has also turned south after trending higher for the past four months.

The **horticulture** index lifted 1.6% in July following a 5% lift in June. Apple prices continue to firm. This will favour growers that achieved reasonable yields this season, but will do little to help those growers whose crops were wiped out by the cyclones earlier this year. New-season prices for kiwifruit are marginally higher than they were this time last year. The quantity of kiwifruit harvested is significantly lower this season, which is making it a little easier to sell product despite deteriorating global economic conditions.

The **forestry** index lifted 0.2% m/m in July, but log prices are still 17% weaker than a year ago. Demand from China for logs remains weak and this situation is unlikely to change any time soon. Pine logs are utilised in various forms of construction and packaging in China, including being used for boxing concrete and in making pallets to ship goods. But as China's economic growth has slowed, so too has investment in construction and the manufacturing sector, which is impacting demand for timber.

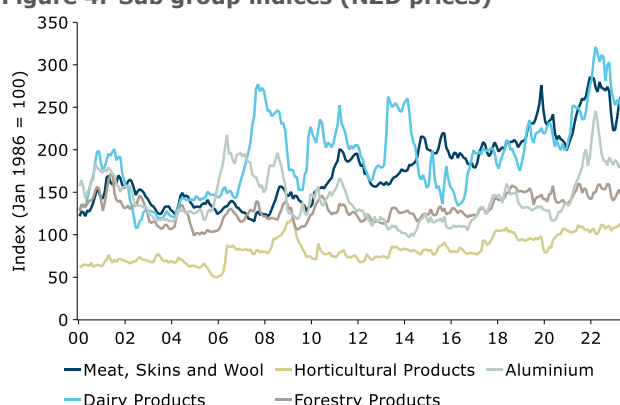
Aluminium prices dropped 3.3% in July, following a similar fall the previous month. Pricing is now down 12% y/y. Global stocks of aluminium are rising, with higher in-market stocks reported both in Japan and at the London Metal Exchange. Russian aluminium makes up much of the stocks at the LME, and Russian aluminium is also entering other markets via China. At present there are no sanctions on Russian aluminium, but many countries are not trading directly with Russia.

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
Jul-19	301.9	..	-0.5	229.5	..	0.3
Jul-20	297.3	..	-1.5	229.9	..	0.2
Jul-21	363.3	..	22.2	268.8	..	16.9
Jul-22	378.9	..	4.3	305.3	..	13.6
Feb-23	337.7	1.4	-15.3	270.8	2.9	-11.7
Mar-23	342.2	1.3	-17.4	278.0	2.7	-9.8
Apr-23	336.4	-1.7	-17.3	274.2	-1.4	-10.3
May-23	337.6	0.4	-13.2	275.0	0.3	-10.3
Jun-23	331.9	-1.7	-14.3	273.4	-0.6	-11.0
Jul-23	323.1	-2.6	-14.7	263.1	-3.8	-13.8

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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