

ANZ Commodity Price Index

5 October 2023



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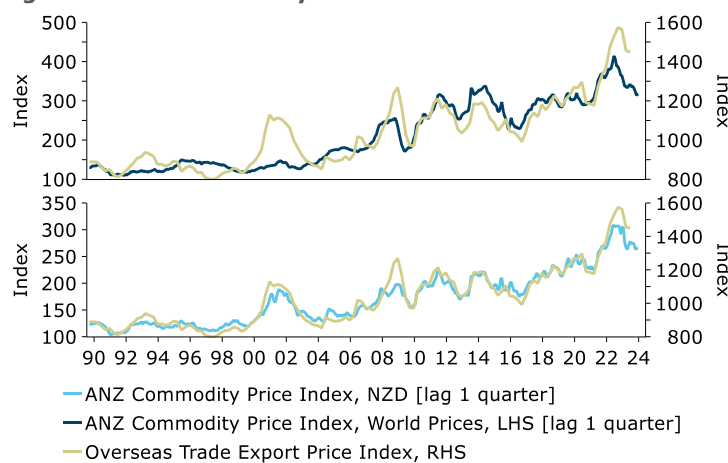
The next issue of the ANZ Commodity Price Index is scheduled for release on 6 November 2023 at 1pm.

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

Heading in the right direction

The ANZ World Commodity Price Index gained 1.3% in September after trending lower for the previous three months. The lift, although modest, was broad based with all major sectors, except horticulture, lifting. In local currency terms, the index rose 2.0% m/m as the NZD depreciated 0.1% against the Trade Weighted Index.

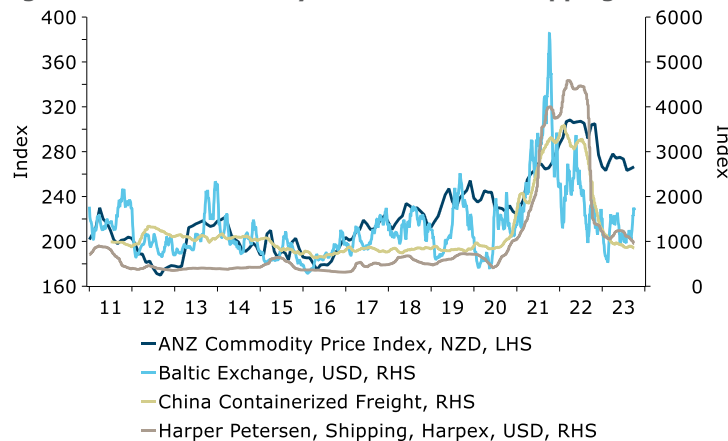
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices were mixed during September. The Baltic Dry Index, which tends to be the most volatile of the shipping indices, lifted a massive 57%, following the sharp lift in oil prices. Meanwhile, the China Containerised Index fell 5% and the Harper Peterson Global Index fell 9%. If oil prices remain strong then this will put upward pressure on freight prices, but at the same time demand for shipping services is a little subdued which is helping to keep prices in check.

Figure 2. 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 September. Whole milk powder strengthened as demand for this product rebounded. Buyers are aware that milk production in New Zealand will be a little subdued this season which has spurred some buying activity. Buyers are also keen to secure product now and start to rebuild stock before prices rise further.

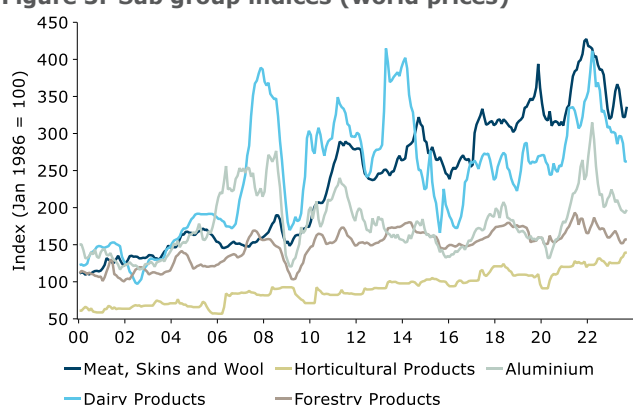
The **meat and fibre** index gained 4.3% m/m in September, with stronger prices recorded for both beef and lamb. Wool prices also rebounded by a massive 11%, but this product is still trading at very low prices. The cost of shearing still exceeds returns for course grade wool. Beef prices lifted 3.9%, with steady demand from the United States. Lamb prices lifted 4.5% in international price terms indicating this product has also found a floor price. However, prices for both beef and lamb are not expected to recover significantly until we see improved demand from China, which won't happen until existing in-market inventory clears.

The **horticulture** index fell just 0.1% m/m in September as a softening in prices for late-season apples was offset by stronger returns for kiwifruit. Apple prices tend to ease as we move through the season as the quality of the fruit starts to drop a little the longer it is stored. Kiwifruit demand is steady and the smaller than usual crop means the entire crop has now been shipped to market. The earlier selling period has also helped raise the average selling price.

The **forestry** index lifted 0.3% m/m in September, but the log market remains relatively subdued. End user demand from China for logs is back at normal levels for this time of the season and the volumes of logs stockpiled on wharves has reduced. This is a positive sign for the market, but returns are constrained by higher shipping costs. Demand from local mills remains weaker than normal as housing construction has slowed.

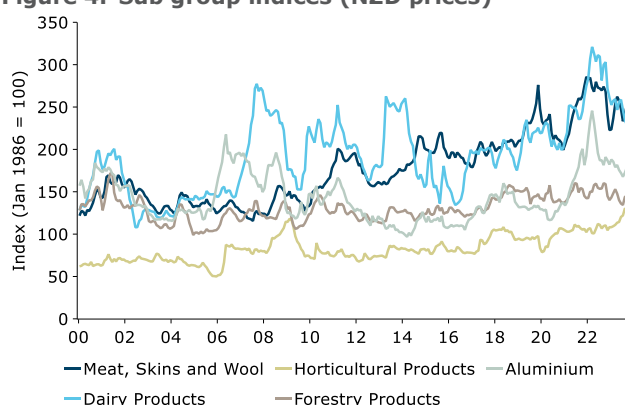
Aluminium prices lifted 2.3% m/m in September following four consecutive monthly falls. Prices are now 2% lower y/y. The recent lift in aluminium prices has mainly been driven by global supply constraints. China has capped its aluminium production and there is also a shortage of bauxite – a raw material used to produce aluminium – as Indonesia has banned the export of this product.

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
Sep-19	303.0	..	3.4	241.9	..	6.5
Sep-20	293.6	..	-3.1	226.2	..	-6.5
Sep-21	362.9	..	23.6	265.5	..	17.4
Sep-22	363.8	..	0.2	304.0	..	14.5
Apr-23	336.4	-1.7	-17.3	274.2	-1.4	-10.4
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	323.3	-2.6	-14.7	263.3	-3.7	-13.8
Aug-23	313.8	-2.9	-14.3	264.9	0.6	-9.2
Sep-23	318.0	1.3	-12.6	270.2	2.0	-11.1

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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