

ANZ Commodity Price Index

6 November 2023



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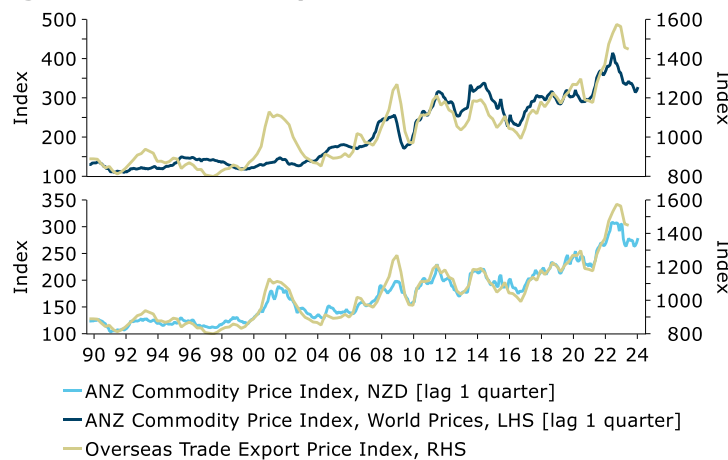
The next issue of the ANZ Commodity Price Index is scheduled for release on 5 December 2023 at 1pm.

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

Another welcome lift

The ANZ World Commodity Price Index gained 2.9% in October after also lifting the previous month. Strong increases were recorded for dairy and horticulture, which helped to offset weaker prices for lamb and logs. In local currency terms, the index rose 3.1% m/m.

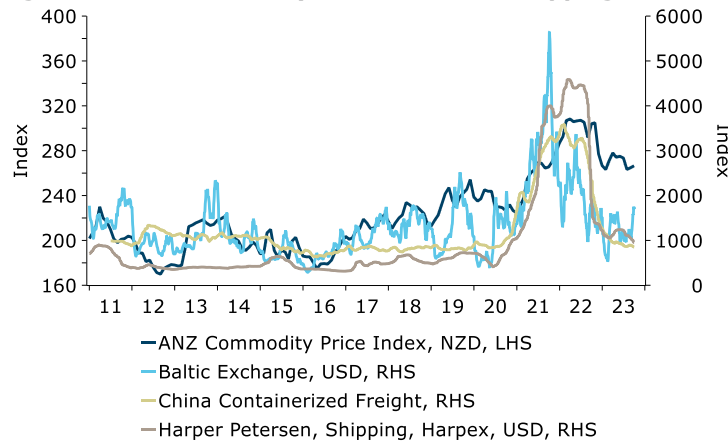
Figure 1. ANZ Commodity Price Index



Source: Stats NZ, Macrobond, ANZ Research

Global shipping prices were mixed during October. The Baltic Dry Index, which tends to be the most volatile of the shipping indices, fell 18% m/m. Meanwhile, the China Containerised Index fell a further 5% and the Harper Peterson Global Index fell 7%. Demand for shipping services remains slightly subdued. While the volume of product moving out of New Zealand tends to lift at this time of the season the opposite is happening in the Northern Hemisphere. Northern Hemisphere economies are also slowing, most notably in Europe, lessening import demand. The increased shipping capacity available should keep the cost of moving goods 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 made solid gains in October, up 5.4% month-on-month (m/m). Skim and whole milk powder led the charge, gaining 11.3% and 8.9% respectively. However, cheese prices softened during the month and are currently priced 21% lower than a year ago. Fonterra recently advised it would be offering less cheese at its Global Dairy Trade events due to returns favouring the production of alternative dairy products.

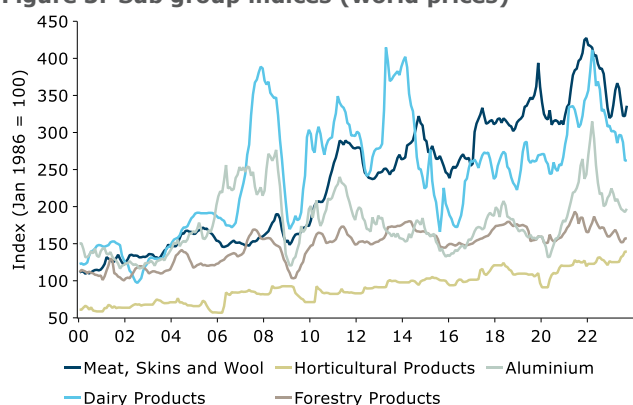
The **meat and fibre** index fell 0.3% m/m in October, as slightly stronger returns for beef (+0.4%) were insufficient to offset the 2% fall in lamb pricing. Wool prices clawed back a further 6.7% with pricing now 20% higher than a year ago, though that isn't saying a lot. Lamb is a relatively highly priced protein and the current economic climate therefore does not favour this product. Demand from the United States for our beef meat remains relatively strong as consumers trade down to lower-priced meals such as hamburgers.

The **horticulture** index shot up 8.8% m/m in October. Strong gains were recorded for kiwifruit prices (+12.4%), while there was little change in apple pricing. The kiwifruit export season has now finished – considerably earlier than normal. The kiwifruit crop was considerably smaller this season so picking, packing and distributing fruit was achieved within a shorter time frame. Next season the crop is expected to be considerably larger than the current season.

The **forestry** index fell 0.6% m/m in October. Log prices are now 9.8% lower than a year ago. China's demand for logs is steady and stocks of logs on wharves (in China) are reported to be declining. However, as yet there is not sufficient demand to push log prices higher. The volume of logs that China imports has dropped dramatically in recent years, but New Zealand logs now account for larger proportion of this market, so there has only been a relatively small decrease in the volume of logs exported from New Zealand to China.

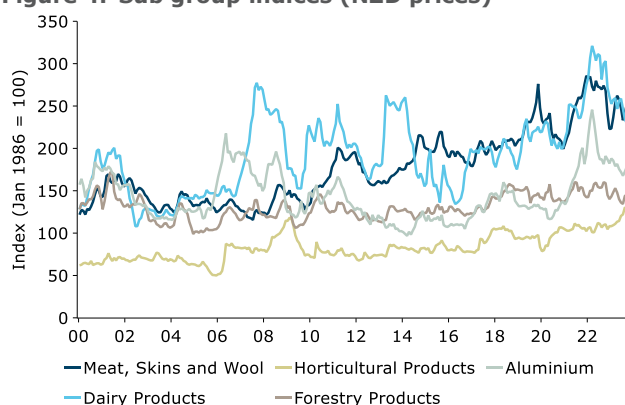
Aluminium prices lifted 0.3% m/m in October with prices now having lifted for two consecutive months. Prices are currently 2.5% lower y/y. Demand for 'green' aluminium is expected to remain strong in the future, which will be supportive of NZ aluminium production. NZ produces only about 0.5% of the world's aluminium.

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
Oct-19	306.7	..	7.2	245.6	..	9.7
Oct-20	299.5	..	-2.4	231.9	..	-5.5
Oct-21	370.7	..	23.8	270.3	..	16.5
Oct-22	351.4	..	-5.2	304.9	..	12.8
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	318.2	1.4	-12.5	270.3	2.0	-11.1
Oct-23	327.4	2.9	-6.8	278.7	3.1	-8.6

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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