

## ANZ COMMODITY PRICE INDEX

Data for April 2018,  
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**4/4 SO FAR IN 2018**

**The ANZ Commodity Price Index rose 1.0% m/m in April, notching up its fourth consecutive lift.** Of the 17 commodities seven rose, five were unchanged and four declined. The main thrust was provided by the dairy complex, while aluminium provided a supporting act as trade tensions and geopolitics boosted prices. The meat and fibre group provided a drag as beef and skin prices fell.

The NZD moved higher against major trading partners except the USD and GBP.

**This helped boost NZD returns 1.2% m/m, lifting annual growth to 5.8%.**

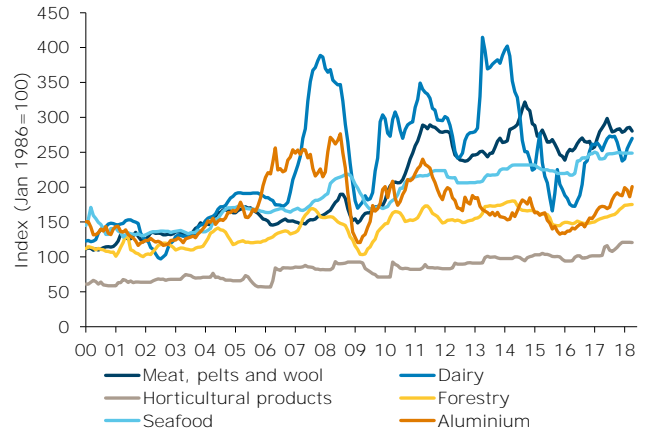
- **Dairy prices continued to push higher in April (+2.7% m/m, +7% y/y) due to a range of influences.** One of the most influential appears to be sluggish European production across some of the larger export regions – Germany, France, the UK & Netherlands – during their seasonal peak (a repeat of last year). At a time of lower seasonal supply from New Zealand, with local dairy processors reportedly being sold out for the 2017/18 season, the other major influence appears to be broad-based demand creating inter-market competition:
  - Chinese participation at GDT auctions has increased back above the 50% level, which usually leads to higher prices. This appears to be due to tight local supply thanks to heat stress impacting on cow performance, smaller farms continuing to exit due to low profitability, stricter enforcement of new environmental regulations, and of course solid demand growth.
  - Middle East buying looks like it could be getting a boost from improved oil prices, and Algerian powder demand remains high given domestic shortages.
  - South East Asian buyers have reportedly run down stocks too, but have recently become more eager to secure product before prices lift.
- **The meat & fibre complex (-1.9% m/m) was mixed.** Beef prices fell 4.2% on increased manufacturing beef supplies from New Zealand, Australia and the US. In New Zealand supply has lifted as cull dairy cows are turned off, continued dry conditions in parts of Australia lifted their supply, and US cull cow, as well as prime beef, supply is much higher than last year. Elsewhere, venison and sheepmeat prices remained stable at high levels. Wool prices continued to lift off lows (+2.6% m/m, +11.7% y/y) driven by bargain hunting, with demand boosted by current price competitiveness versus substitutes. Higher demand has been driven by China, with season-to-date exports up 32% y/y.
- **New-season horticultural product prices were largely unchanged (-0.1% m/m) on last season's close as produce begins to hit the shelf across the major markets.**
- **Forestry prices continued to grind higher (+0.2% m/m), marking 20 months of consecutive gains for the sector.** Domestic and export log and lumber prices remain well above last year, with solid demand both domestically and from China. However, upward momentum has flattened out recently.
- **Aluminium prices jumped 8% m/m on trade and geopolitical tensions.** China's clampdown on excess production and capacity restrictions to improve air quality continue to support prices. However, the real boost was provided by US sanctions on Russia, which included limiting trade with one of the world's largest aluminium producers, Rusal. Prices jumped 28% mid-month, before easing to register an 8% m/m gain as sanctions were softened.

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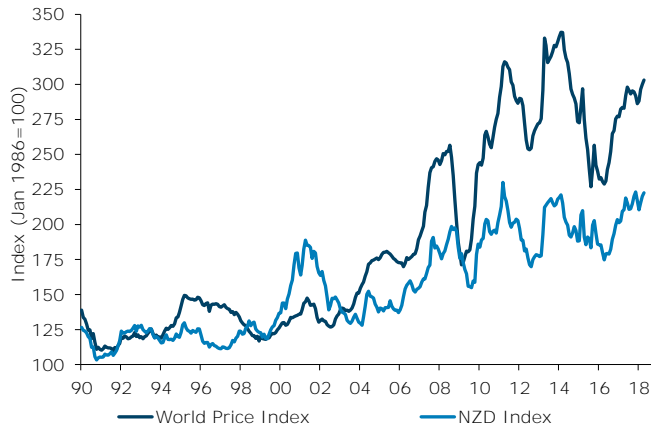
	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
<b>Apr-14</b>	<b>324.6</b>	..	-2.5	<b>205.2</b>	..	-3.4
<b>Apr-15</b>	<b>274.9</b>	..	-15.3	<b>191.0</b>	..	-6.9
<b>Apr-16</b>	<b>228.8</b>	..	-16.8	<b>174.8</b>	..	-8.5
<b>Apr-17</b>	<b>282.9</b>	..	23.7	<b>210.5</b>	..	20.4
<b>Nov-17</b>	<b>291.9</b>	-0.9	6.0	<b>223.2</b>	1.4	11.9
<b>Dec-17</b>	<b>286.2</b>	-1.9	3.2	<b>217.1</b>	-2.8	6.7
<b>Jan-18</b>	<b>288.2</b>	0.7	4.1	<b>210.5</b>	-3.0	4.5
<b>Feb-18</b>	<b>296.4</b>	2.8	5.0	<b>215.5</b>	2.4	6.4
<b>Mar-18</b>	<b>300.0</b>	1.2	5.8	<b>220.0</b>	2.1	5.1
<b>Apr-18</b>	<b>303.1</b>	1.0	7.1	<b>222.6</b>	1.2	5.8

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2017 year are: Wool 1.9%; Beef 11.2%; Lamb 9.9%; Venison 0.6%; Skins 1.4%; Dairy 41.0%; Apples 2.4%; Kiwifruit 5.7%; Logs 10.6%; Sawn Timber 3.5%; Wood Pulp 2.6%; Seafood 5.5%; Aluminium 3.8%

## Sub group indices (world prices)

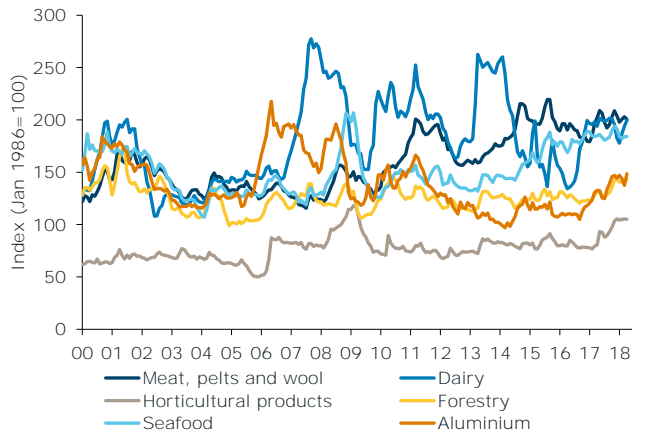


## ANZ Commodity Price Index



Source: ANZ

## Sub group indices (NZD prices)



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