

ANZ Commodity Price Index

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The next issue of the ANZ Commodity Price Index is scheduled for release on 9 January 2019 at 1pm.

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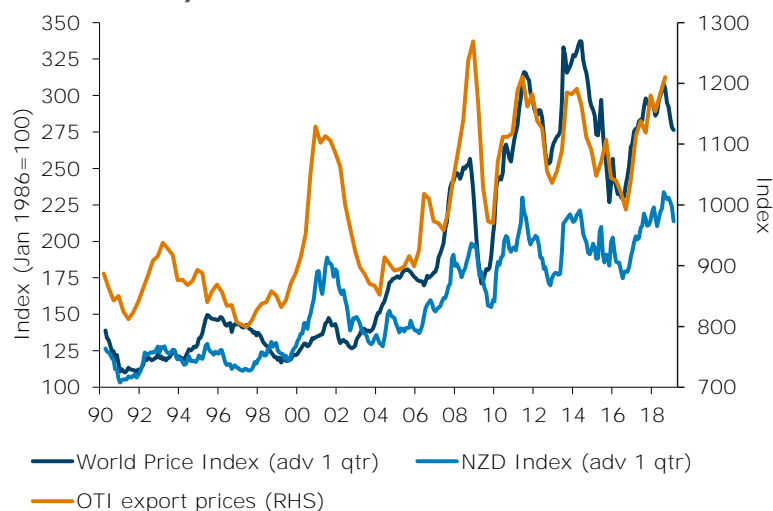
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Six geese a-laying

The ANZ World Commodity Price Index fell for a sixth consecutive month, but the decline of 0.6% m/m recorded in November was considerably smaller than **the previous months' falls**. The index is 5.3% lower than a year ago. Meat was the only category to record stronger prices in November.

The fall in world prices was accentuated by the stronger NZD, which was up 3.4% m/m on a trade-weighted basis. This saw the NZD index down 4.4% m/m. Annual growth in the NZD index slipped into negative territory for the first time since October 2016, down 4.2%y/y.

ANZ Commodity Price Index



Source: ANZ, Stats NZ

Dairy prices fell 1.7% m/m (-9.2% y/y) and are now at the lowest level since August 2016. Lower prices were recorded for whole milk powder, cheese and butter. Skim milk powder prices firmed as EU government stocks continue to steadily decrease, although these stocks are not expected to fully clear until late 2019. Casein prices also firmed on the back of the stronger SMP prices.

The **meat and fibre** index lifted 1.1% m/m in November but remains 3.7% down y/y. Returns for both lamb and beef meat lifted in November. Beef prices lifted 2.4% during the month due to firmer US demand for imported beef, but prices are still 13.4% weaker than they were a year ago. Lamb prices lifted 1.2% during November (+7.4% y/y), and the outlook remains positive as the market transitions from old-season supply to new-season lambs. The new lamb crop is **estimated to be slightly smaller than last season's crop** (-0.7%) which will be mildly supportive of prices. Wool prices have continued their downward trend, down a further 5.1% in November (-6.9% y/y).

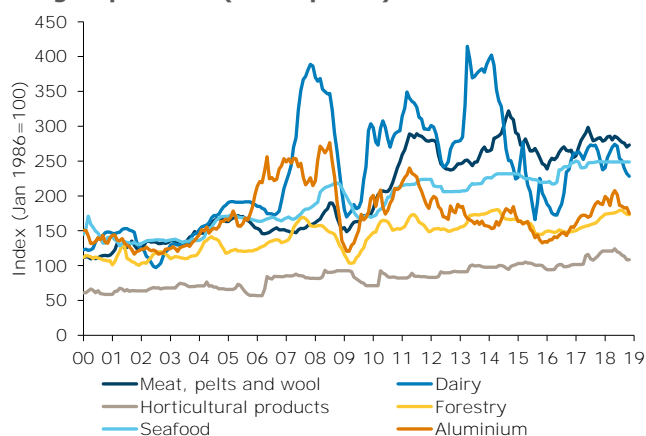
The **horticulture index** fell just 0.2% m/m with annual growth dropping to 8.2% y/y. Apple prices fell a further 2.5% m/m, which was virtually offset by a 0.8% m/m increase in kiwifruit prices.

Forestry prices fell 0.3% m/m, but are up 3% y/y. Log prices dropped 0.5% m/m but stocks held on wharves in China have diminished to the lowest level seen in recent years and this tightening of supply is starting to translate into firmer prices. Harvest rates within NZ continue to lift but the increased supply is thus far being readily absorbed by international markets.

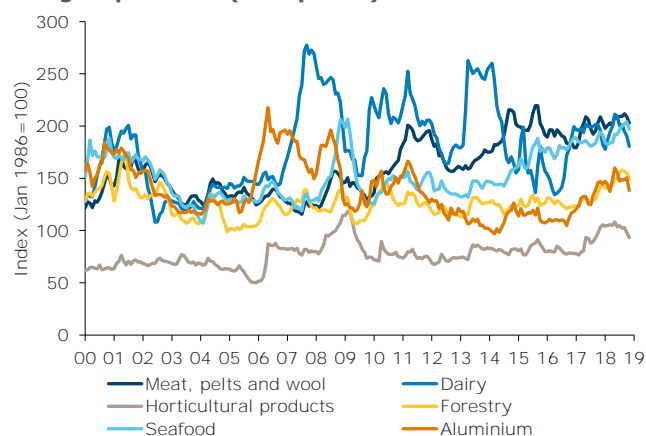
Aluminium prices fell 4.6% m/m wiping out the previous month's gains. Prices are down 7.4% y/y. Both production and global stocks of aluminium are trending down. Some smelters in China, where over half of the world's aluminium is produced, are closing due to tight operating margins and production restrictions designed to reduce smog. Global demand for aluminium has also fallen, so the reduction in production has not resulted in an improvement in prices. Japan is the largest market for NZ aluminium, which is used in the automotive industries and to produce beer cans. Beer consumption in Japan is trending down reducing demand for cans.

The lift in the NZD during November pushed returns the index further south in local currency terms. In NZD terms all six of the sub-component price indices fell. Compared to a year ago only forestry and seafood returns are higher in NZD terms.

Sub group indices (world prices)



Sub group indices (NZD prices)



Source: ANZ

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Nov-14	286.1	..	-12.5	195.6	..	-8.7
Nov-15	242.3	..	-15.3	193.6	..	-1.0
Nov-16	275.4	..	13.6	199.5	..	3.0
Nov-17	291.9	..	6.0	223.2	..	11.9
Jun-18	305.0	-0.9	2.3	231.5	-1.0	7.5
Jul-18	295.1	-3.3	-0.2	228.9	-1.1	8.6
Aug-18	291.9	-1.1	-0.5	229.9	0.4	8.9
Sep-18	284.9	-2.4	-3.6	227.3	-1.1	5.9
Oct-18	278.2	-2.4	-5.6	223.7	-1.6	1.6
Nov-18	276.4	-0.6	-5.3	213.9	-4.4	-4.2

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%



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