

NEW ZEALAND ECONOMICS

ANZ COMMODITY PRICE INDEX

Data for October 2016,
released on 3rd November 2016

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MIXED BAG

The ANZ Commodity Price Index rose a further 0.7% in October. This was its sixth straight rise in a row. The index is 4% higher than at the same time last year. There were mixed movements between the different commodities in October. Wool (-6.8%) and beef (-5.1%) suffered the largest falls. Butter (+6.5%), lamb (+5.5%) and aluminium (+4.5%) registered the largest gains.

The NZD remains a thorn in the side of exporters. The NZD moderated somewhat against most of its peers – except the GBP – in October, helping lift the NZD Commodity Price Index by 1.3% m/m. However, on an annual basis **NZD prices continue to lag 5.3% behind the same period last year.** This is largely owing to the NZD TWI being 7% higher year-on-year.

In terms of sector specifics:

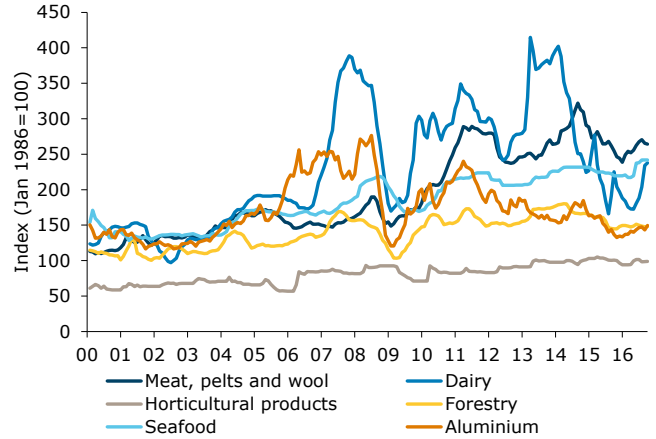
- **There were varied movements within the dairy category, which rose 1.5% m/m following a big surge that started in June.** Milkfat products outperformed milk powders in October. Butter (+6.5%) and Cheese (+4.2%) registered the largest gains. Demand for New Zealand-sourced milkfat products has been robust lately and competitor product continues to be soaked up by their own domestic markets. Milk powder prices consolidated in October following large gains since mid-year.
- **The meat and fibre category was slightly softer in October (-0.4%), but this masked large movements between different commodities.** The largest falls were for wool (-6.8%) and beef (-5.1%). Wool prices have been under pressure recently due to reduced Chinese buying. Beef prices have suffered due to a lift in domestic supplies within the US, buyer uncertainty over improved market access for Brazil, and competition from pork and poultry products. At the other end of the spectrum, lamb prices increased 5.5% in October. The main drivers being tight New Zealand supply and improved Chinese demand. However, the weak GBP continues to weigh on overall NZD returns, which declined 4.0% m/m in October (-8.8% y/y).
- **Outside of these movements, things remained fairly steady.** Horticulture prices remained fairly balanced in October as the selling season draws to a close for the major crops. Seafood and forestry were largely unchanged too though seafood has shown some of the strongest gains in the past year (+10.2% y/y). Aluminium prices increased 4.5%, driven by a general tightening in base metal stocks over the past three months. There have also been capacity reductions in China as they embark on industry reform.

ANZ COMMODITY PRICE INDEX

	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Oct-12	267.0	..	-8.4	176.9	..	-12.3
Oct-13	327.8	..	22.8	213.3	..	20.6
Oct-14	290.3	..	-11.5	198.5	..	-7.0
Oct-15	256.6	..	-11.6	202.7	..	2.1
May-16	231.1	1.0	-11.7	179.1	2.5	-3.5
Jun-16	239.2	3.5	-5.6	179.3	0.1	-6.1
Jul-16	244.2	2.1	1.9	178.9	-0.3	-5.8
Aug-16	252.1	3.2	11.1	182.3	1.9	-0.5
Sep-16	264.9	5.1	10.6	189.4	3.9	-5.0
Oct-16	266.9	0.7	4.0	192.0	1.3	-5.3

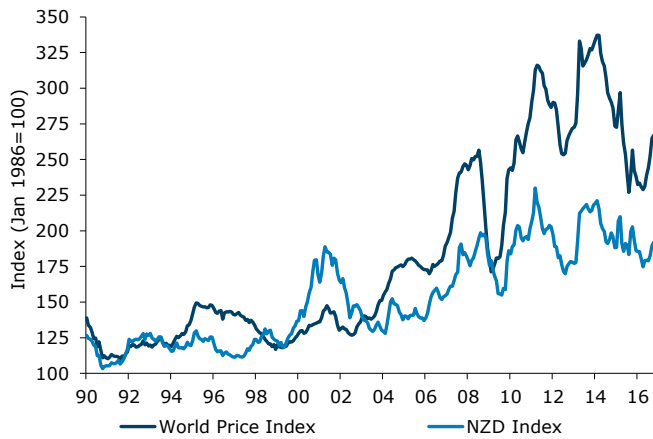
Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2016 year are: Wool 3.2%; Beef 12.4%; Lamb 11.6%; Venison 0.7%; Skins 1.9%; Dairy 39.3%; Apples 2.3%; Kiwifruit 5.4%; Logs 7.5%; Sawn Timber 3.7%; Wood Pulp 2.6%; Seafood 5.5%; Aluminium 3.9%

SUB GROUP INDICES (WORLD PRICES)



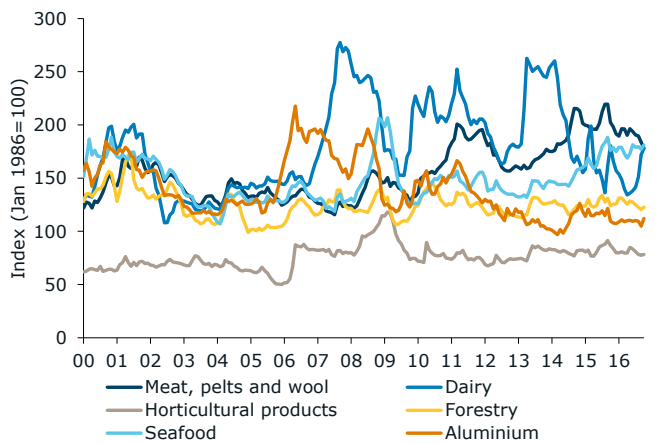
Source: ANZ

ANZ COMMODITY PRICE INDEX



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SUB GROUP INDICES (NZD PRICES)



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