

NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

Data for November 2016,
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WE'RE BACK!

The ANZ Commodity Price Index rose 2.7% in November, the seventh rise in as many months. The recent run of form has seen the index lift to 13% higher than a year ago (due in part to base effects).

The NZD Commodity Price Index also lifted 2.7% m/m in November, to deliver the first annual gain for exporters this year. The NZD fell slightly against the USD and GBP in November, but was still up on a TWI basis due to a stronger NZD against the AUD, yen and euro.

In terms of sector specifics:

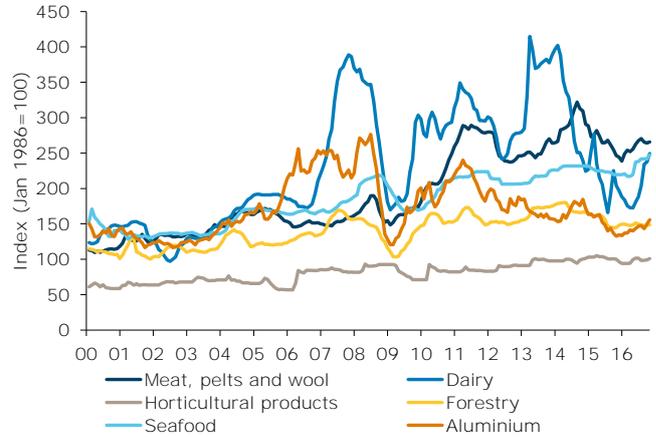
- Dairy prices rose 4.8% m/m in November, the sixth rise in a row. Tight global milk supplies and Chinese import demand continued this month.** Whole milk powder rose 11% m/m (31% y/y), butter 3.1% and skim milk 0.8%. The index uses USDA prices, where price gains were smaller than those registered on the GlobalDairyTrade platform (i.e. WMP +24% in November). Cheese prices (-7.9% m/m) gave up some of the gains achieved over the second half of the year, due to increased Northern Hemisphere inventory levels and increased export competition, especially from the US.
- Prices for aluminium rose 4.2% m/m and are now 18% higher than a year ago.** General metal prices have been on the improve from early in the year as inefficient capacity has been shut down in China and a general lift in import demand has been seen. Metal prices received a further shot in the arm in November as investors took the view Donald Trump's infrastructure program will lead to a further boost in demand.
- Seafood products rose 2.3% m/m and are now 13% higher than last year.** Dory and salmon prices drove the increase in November.
- The meat and fibre group rose modestly in November, up 0.6% m/m with mixed price signals.** Lamb rose 0.3%, recording its twelfth consecutive increase and is now 25% higher than the same time last year – though they are down 2% in local currency terms owing to the high NZD/GBP. Tight tradable supplies are the main driver, alongside renewed Chinese demand. Beef prices rose 2.7% m/m, but the price action remains variable from month to month. Wool has been the big underperformer in recent months and fell a further 6.1% in November. The main reason has been a lack of demand from China, which accounted for 50% of exports in 2015/16. There have been numerous suggestions as to why Chinese demand has been weaker. These include lower-end product demand in Europe/UK, the weaker RMB, changed sourcing patterns towards cheaper product from UK and Mongolia, liquidation of local cotton stocks, general high prices last year leading to fibre substitution, and changed local fashion trends.
- Horticulture prices lifted slightly (+1.9% m/m), but the bulk of the 2016 crops has been sold already.**
- Forestry prices were fairly steady (+0.4% m/m).** Both key international and domestic forestry price benchmarks have continued to trend up in recent months. Chinese demand remains firm and local demand strong due to the booming local construction sector.

ANZ COMMODITY PRICE INDEX

	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Nov-12	269.4	..	-6.6	178.5	..	-12.4
Nov-13	326.9	..	21.3	214.3	..	20.1
Nov-14	286.1	..	-12.5	195.6	..	-8.7
Nov-15	242.3	..	-15.3	193.6	..	-1.0
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	193.3	2.1	-4.6
Nov-16	274.2	2.7	13.1	198.6	2.7	2.6

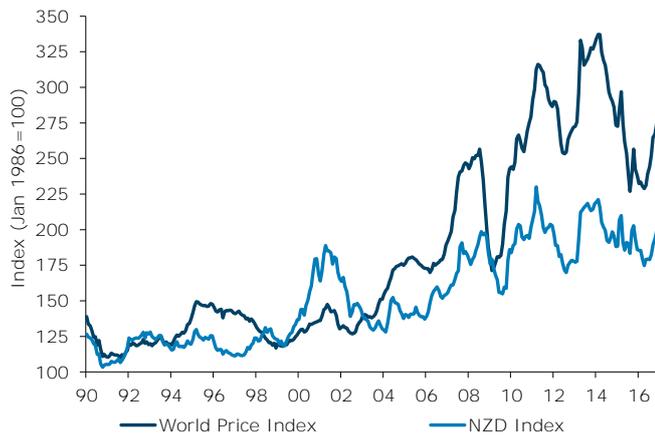
Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2016 year are: Wool 3.2%; Beef 12.4%; Lamb 11.6%; Venison 0.7%; Skins 1.9%; Dairy 39.3%; Apples 2.3%; Kiwifruit 5.4%; Logs 7.5%; Sawn Timber 3.7%; Wood Pulp 2.6%; Seafood 5.5%; Aluminium 3.9%

SUB GROUP INDICES (WORLD PRICES)



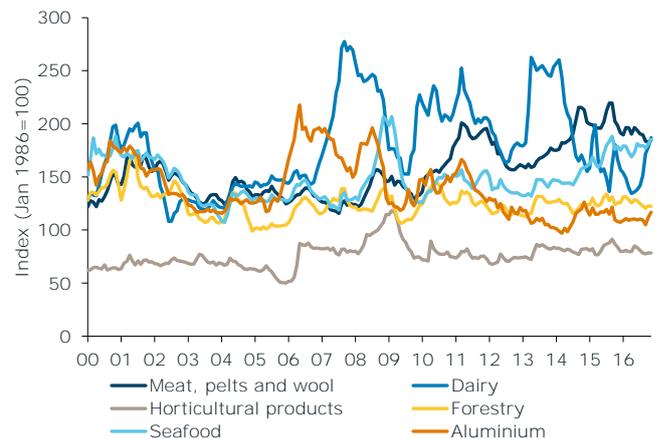
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ANZ COMMODITY PRICE INDEX



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SUB GROUP INDICES (NZD PRICES)



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