

## ANZ COMMODITY PRICE INDEX

Data for January 2018,  
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**FRESH START**

**The ANZ Commodity Price Index rose 0.7% m/m in January, a welcome change in direction following a 3-month slide.<sup>1</sup>** The lift was broad-based with meat, dairy, forestry and aluminium prices all lifting; the only fall was seen in milkfat products. **The NZD continued to squeeze higher against major trading partners in January (NZD TWI up 1.8% m/m), pushing the NZD commodity price index down 2.9% m/m.** Only aluminium prices managed to increase in local currency terms.

- **There were contrasting moves in dairy prices in January.** Milk powder prices rose with WMP (+5.1% m/m) leading the charge, followed by SMP (+3.2% m/m). The main driver was dry conditions slowing NZ milk supply. However, the drop in the USD and dip in prices during December supported demand from more price-sensitive markets too. In contrast there was a fall in butter (-5.6% m/m), cheese (-5.0% m/m) and casein (-3.5% m/m). This was due largely to increased European and US milk flow, in the case of butter, lower seasonal demand, and building cheese stocks.
- **There was some small upward movement in meat and fibre prices in January (+0.6% m/m). Lamb and venison prices held at recent historical highs.** Australasian sheepmeat supply has remained tight. Locally early January rainfall tightened North Island lamb supply, driving procurement pressure to meet chilled demand for the Easter period. Farm-gate pricing will moderate in February/March as local supply picks up and **this season's speciality occasion window shuts. However, a lower NZD/Euro/GBP, low frozen inventories and solid demand should provide a cushion of support.** Beef prices improved on the back of tight local supply and good inter-market competition between the US and major Asian markets. Coarse-breed wool prices continue to struggle at low levels as seasonal supply increases (+0.8% m/m).
- **Seafood prices were stable. Horticultural products are in hibernation for the off-season.**
- **Forestry prices maintained positive momentum.** Log export prices rose another 2% m/m with solid offtake in China (i.e. high end-demand) and seasonally low inventories. Wood pulp prices rose a further 1% m/m after a stellar year, which saw prices rise 45% y/y. Momentum is slowing due to normal seasonal slowdown in China, which will see the global market rebalance somewhat. That said, producer inventories remain seasonally tight.
- **Aluminium prices rose 6.2% m/m** as production outside of China flat-lined and demand was solid with a synchronised uplift in global manufacturing activity taking place. This led to a drawdown in global inventory levels, supporting prices. Uncertainty around Chinese production due to forced local capacity cuts on the back of environmental concerns makes for a cloudy future where price volatility is the likely outcome.

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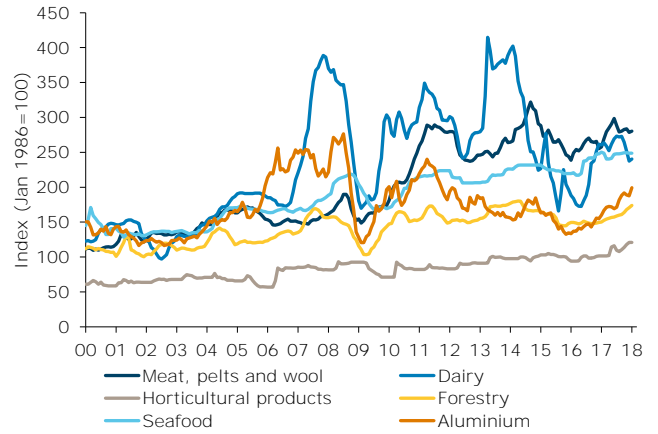
<sup>1</sup> The December 2017 horticulture data has been revised up 2.5% m/m (previously published 0.0% m/m) due to a correction in the data. This means the world price index for December has been revised to a 1.9% m/m fall, having been published as a 2.2% m/m fall.

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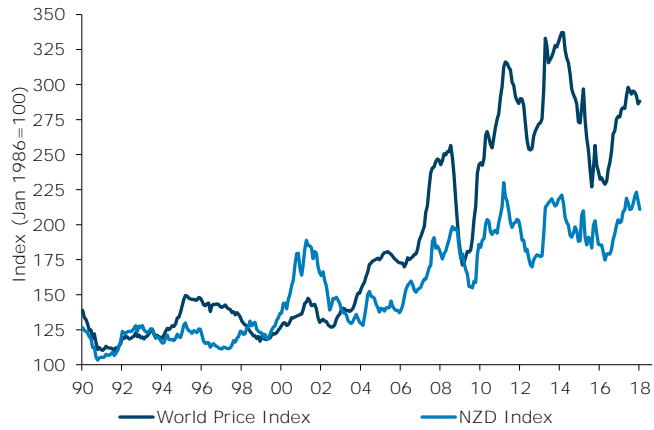
	World Price Index	Monthly % Change	Annual % Change	NZD Index	Monthly % Change	Annual % Change
Jan-14	334.1	..	22.6	219.3	..	23.8
Jan-15	272.6	..	-18.4	188.4	..	-14.1
Jan-16	232.4	..	-14.7	185.4	..	-1.6
Jan-17	276.8	..	19.1	201.3	..	8.6
Aug-17	293.2	-0.8	16.3	211.2	0.2	15.8
Sep-17	295.4	0.8	11.5	214.7	1.7	13.3
Oct-17	294.6	-0.3	10.4	220.1	2.5	13.8
Nov-17	291.9	-0.9	6.0	223.2	1.4	11.9
Dec-17	286.2	-1.9	3.2	217.2	-2.7	6.7
Jan-18	288.2	0.7	4.1	211.0	-2.9	4.8

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)

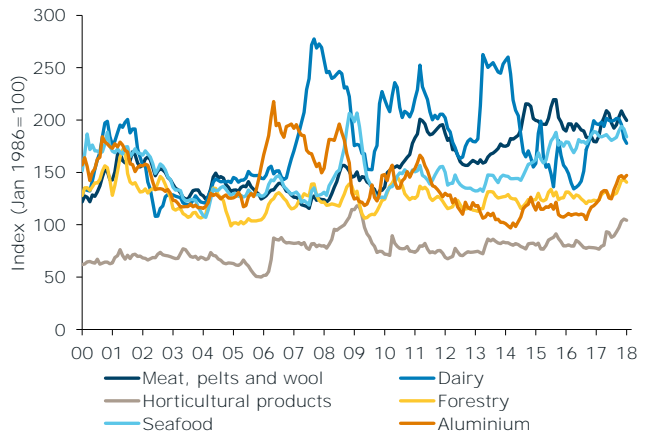


## ANZ Commodity Price Index



Source: ANZ

## Sub group indices (NZD prices)



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