

## ANZ Commodity Price Index

5 February 2019



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The next issue of the ANZ Commodity Price Index is scheduled for release on 5 March 2019 at 1pm.

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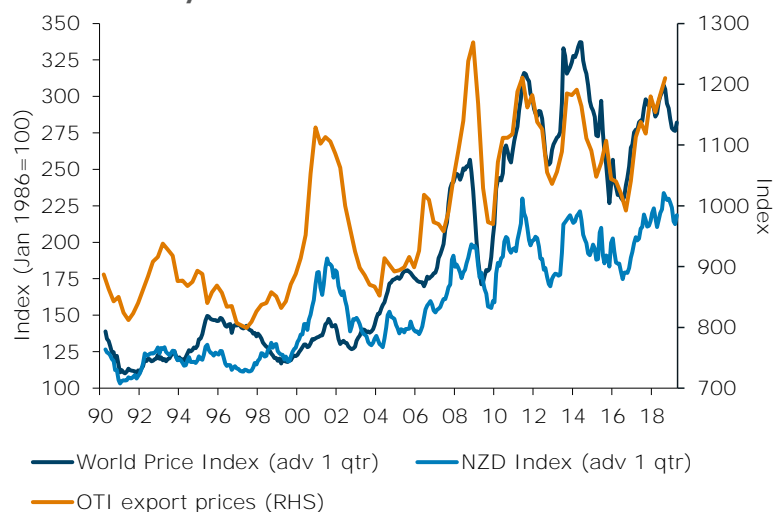
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## Moo-ving up

The ANZ World Commodity Price Index started the year strongly with a 2.1% m/m lift, arresting the downward trend present throughout the second half of 2018. Dairy was the main driver behind the lift in the index, with meat also making a substantive contribution.

The NZD index lifted further, up 2.9% m/m in January. The NZ dollar retraced 1.4% in trade-weighted terms in January. In local currency terms the ANZ Commodity Price Index has increased 3.8% y/y.

### ANZ Commodity Price Index



Source: ANZ, Stats NZ

**Dairy** has had a positive start to the year, with prices up 5.4% m/m. A strong rebound (+18.8% m/m) in skim milk powder prices occurred following the sell-off of European government-held stocks. Other dairy commodities are also benefiting from an improvement in sentiment and an easing in global milk supply – particularly in Europe and the United States. Whole milk powder prices lifted 3.5%, while butter and cheese prices rebounded by 9% and 6.9% m/m respectively.

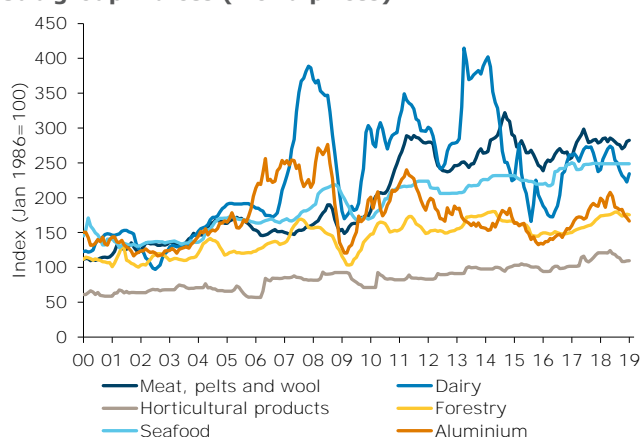
The **meat and fibre** index lifted 0.6% m/m in January to continue the upward trend recorded in the final quarter of 2018. A 1.2% lift in international beef prices was offset by a similar fall in the price of lamb meat. Despite the recent price movements lamb meat is still up 4.7% y/y, while beef prices are down 2.6% y/y. Wool prices were up marginally in January, with some strength in fine wool and lamb wool but prices for course wool remain depressed.

The **horticulture** index was stable. Volumes traded are low at this time of the season with the kiwifruit and pipfruit industries now preparing for the harvest of new-season fruit. The annual reweighting of the commodity price index based on export returns resulted in a lift in kiwifruit's weight to 7% of the overall index.

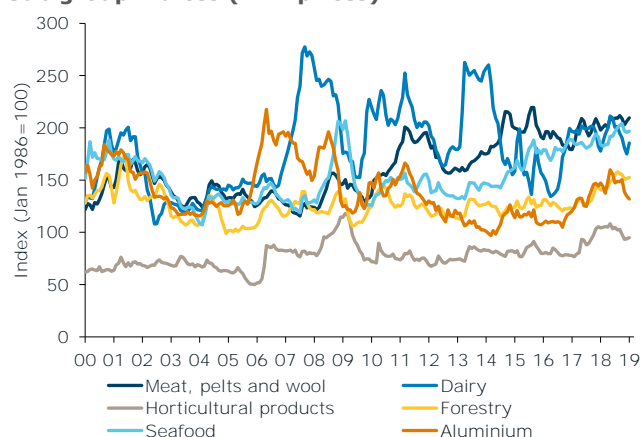
**Forestry** prices fell 0.6% m/m in January, but are still at relatively high levels. A reduction in the price of pulp wood offset a small lift in log prices. Future price direction for logs will depend on buying activity post the Chinese New Year holiday period. In-market stocks are low, indicating strong buying activity will be required to replenish stocks. However, there is a risk that demand will weaken on the back of the slowdown of China's economy.

**Aluminium** prices fell 2.8% in January to continue the downward trend in place since May. Prices are expected to continue to trend down as supply restrictions end and demand softens on slowing global economic activity. Sanctions on Russian aluminium producer Rusal have now been lifted following a restructure of the company, effectively lifting global supply. Demand for 'greener' aluminium is increasing, with Rio Tinto recently signing an agreement with Nespresso for responsibly sourced aluminium for use in its coffee capsules. Rio Tinto has also indicated that Tiwai Point could become the world's first carbon-free aluminium smelter.

**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
Jan-15	<b>272.6</b>	..	-18.4	<b>188.4</b>	..	-14.1
Jan-16	<b>232.4</b>	..	-14.7	<b>185.4</b>	..	-1.6
Jan-17	<b>276.8</b>	..	19.1	<b>201.3</b>	..	8.6
Jan-18	<b>288.2</b>	..	4.1	<b>210.5</b>	..	4.5
Aug-18	<b>291.9</b>	-1.1	-0.5	<b>229.9</b>	0.4	8.9
Sep-18	<b>284.9</b>	-2.4	-3.6	<b>227.3</b>	-1.1	5.9
Oct-18	<b>278.2</b>	-2.4	-5.6	<b>223.7</b>	-1.6	1.6
Nov-18	<b>276.9</b>	-0.5	-5.1	<b>214.3</b>	-4.2	-4.0
Dec-18	<b>276.4</b>	-0.2	-3.4	<b>212.4</b>	-0.9	-2.1
Jan-19	<b>282.1</b>	2.1	-2.1	<b>218.5</b>	2.9	3.8

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2018 year are: Wool 1.9%; Beef 9.9%; Lamb 12.1%; Venison 0.6%; Skins 1.2%; Dairy 38.0%; Apples 2.4%; Kiwifruit 7.0%; Logs 11.4%; Sawn Timber 3.5%; Wood Pulp 2.7%; Seafood 5.2%; Aluminium 4.0%



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