

## NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

Data for July 2016,  
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### UP THE STAIRS, DOWN THE ELEVATOR

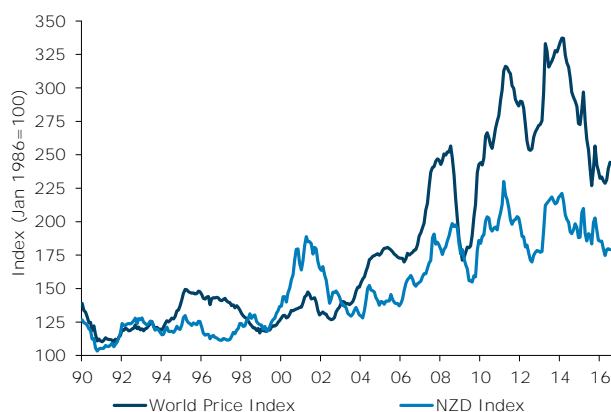
**The ANZ Commodity Price Index continued its recent run of form with world prices up a further 2.0% m/m in July.** It's the third consecutive improvement with prices up 6.9% over this period. The gains have been broad-based too, which is encouraging. However, it has to be remembered this improvement is off a near seven year low registered in April.

**The other challenge is the high NZD**, which continues to erode any slight improvement in world prices back to New Zealand exporters. In fact, while world prices have risen by 6.9% over the last three months, NZD prices have only improved by 2.5% over the same period and remain below the same time last year (-5.7% y/y). The NZD/USD is up 7% and trade-weighted index 8% compared with last year. Many exporters have worked hard on new innovations, productivity drivers and fostering new business, but sometimes this can only take things so far.

In terms of sector specifics:

- **Dairy led the way with a 4.1% m/m lift in July.** The outperformers were casein (+7.8%), butter (+5.2%) and milk powder (+4.1%). Oceania milkfat products and skim milk powder prices have lifted recently to close the gap with competitors, such as Europe and US. Some market signals remain distorted by trade barriers with the likes of US butter and cheese prices substantially higher than tradable prices at present.
- **The next best performers were meat (+2.0% m/m) and aluminium (+2.2% m/m). Within the meat category lamb (+4.4% m/m) and beef (+2.1%) led the gains.** World sheepmeat prices have primarily improved because of a significant drop-off in New Zealand supply. This is due to a smaller lamb crop in 2015, some re-stocking and high early season turn-off. However, the increase in the NZD/GBP (+9.3%) due to Brexit concerns saw NZD returns drop 2.9% m/m in July. Beef prices improved driven by lower seasonal supply within the US.
- **At the other end of the spectrum seafood prices were largely unchanged. Forestry (-1.0% m/m) and horticulture (-1.4% m/m) both experienced a decline.** In the case of horticulture stronger seasonal flows from the main Southern Hemisphere producers have seen some of the early season premiums reduce.

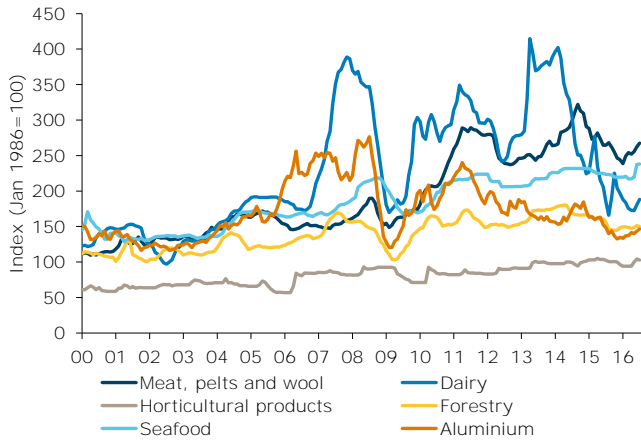
### ANZ COMMODITY PRICE INDEX



Source: ANZ

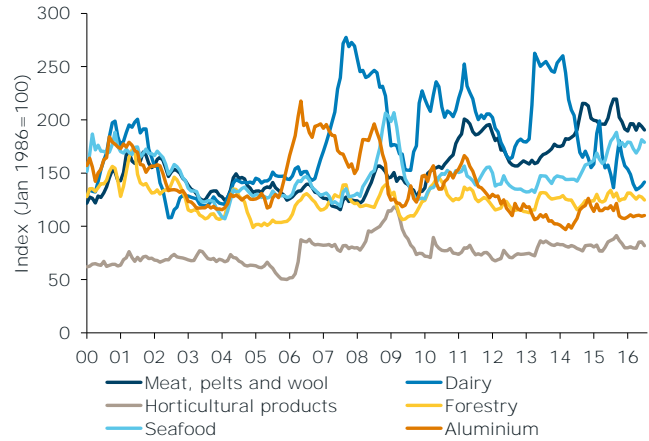
# ANZ COMMODITY PRICE INDEX

**SUB GROUP INDICES (WORLD PRICES)**



Source: ANZ

**SUB GROUP INDICES (NZD PRICES)**



Source: ANZ

	<b>World Price Index</b>	Monthly % Change	Annual % Change	<b>NZ\$ Index</b>	Monthly % Change	Annual % Change
<b>Jul-12</b>	<b>253.2</b>	..	-18.4	<b>171.3</b>	..	-14.9
<b>Jul-13</b>	<b>317.7</b>	..	25.5	<b>217.0</b>	..	26.7
<b>Jul-14</b>	<b>307.6</b>	..	-3.2	<b>192.3</b>	..	-11.4
<b>Jul-15</b>	<b>239.5</b>	..	-22.1	<b>189.9</b>	..	-1.3
<b>Feb-16</b>	<b>233.5</b>	0.5	-17.8	<b>185.3</b>	0.0	-10.3
<b>Mar-16</b>	<b>230.5</b>	-1.3	-22.4	<b>179.8</b>	-3.0	-14.3
<b>Apr-16</b>	<b>228.7</b>	-0.8	-16.8	<b>174.7</b>	-2.8	-8.5
<b>May-16</b>	<b>231.1</b>	1.1	-11.6	<b>179.1</b>	2.5	-3.4
<b>Jun-16</b>	<b>239.7</b>	3.7	-5.4	<b>179.7</b>	0.3	-5.9
<b>Jul-16</b>	<b>244.4</b>	2.0	2.0	<b>179.1</b>	-0.4	-5.7

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%

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