

NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

Data for July 2015,
released on 4 August 2015

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THE WRONG PODIUM FOR RECORDS

The ANZ Commodity Price Index for July declined by 11.2%. This is the fourth consecutive fall in the index, which is at its lowest level since October 2009 but also the largest monthly decline ever in the series. The fall this month was broad based, with thirteen of the seventeen main commodities we monitor recording a decline. The index is 26.8% lower than 12 months earlier.

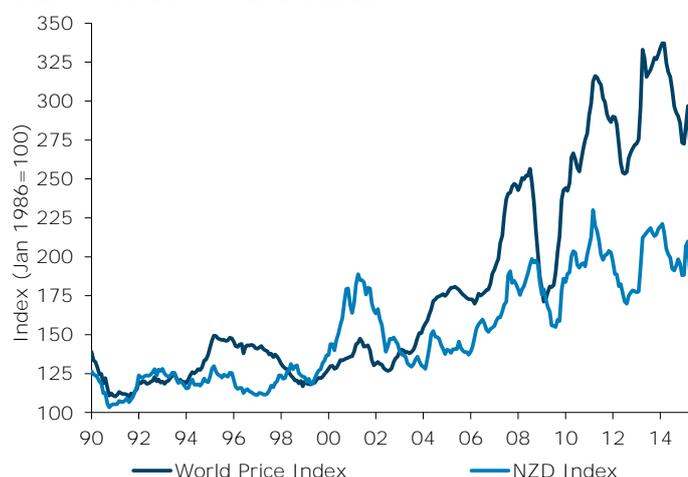
Dairy prices led the declines this month, falling 23.1% m/m, and fell to their lowest level in over 11 years. Whole milk powder prices were down sharply, falling 35.2% m/m. Skim milk powder and casein prices fell, down 10.7% and 9.8% respectively. International supply and demand imbalances remain as a significant headwind for dairy exporters. Cheese and butter prices likewise declined.

Prices also fell across the majority of other major sectors in July.

Aluminium prices fell 2.6% (down 15.1% y/y). Forestry prices declined 2.2% over the month, which was largely due to a 3.5% m/m fall in log prices. Forestry exports are under pressure from softer Asian demand, in particular China. Timber prices were back a modest 0.2% m/m. Prices in the **horticulture sub-group fell 1.1%** as both kiwifruit and apple prices declined. The latter is focused on Green kiwifruit, with Zespri noting early season Gold sales have been above expectations. On a positive note, a strong US market is supporting beef prices, which recorded the only increase across the seventeen main commodities that we monitor. The 5.4% m/m increase in beef prices offset declines in lamb (down 2.7% m/m), wool (down 4.2% m/m) and skin (down 2.9% m/m) prices. **Overall, prices for the meat and seafood sectors were unchanged.**

Prices from the NZD index fell 6.7% (-7.3% y/y); the third largest monthly fall since the series started in 1986. A weaker NZD (the NZD fell 3.6% m/m on a TWI basis) helped mitigate a gargantuan fall in world prices, but NZD prices still fell substantially. A weaker NZD is helpful but the sizeable fall in NZD prices tells us that the NZD is not moving fast enough in response to shifts across commodities.

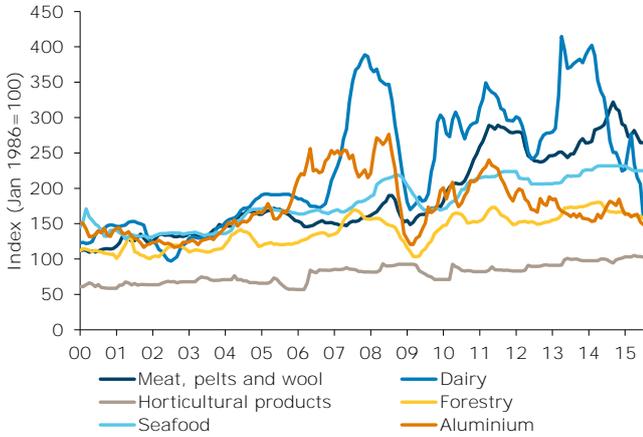
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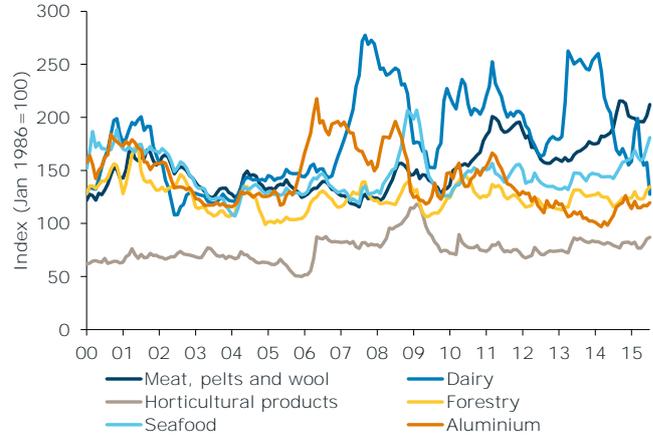
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SUB GROUP INDICES (WORLD PRICES)



Source: ANZ

SUB GROUP INDICES (NZD PRICES)



Source: ANZ

	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Jul-11	310.4	..	20.6	201.4	..	3.3
Jul-12	253.2	..	-18.4	171.3	..	-14.9
Jul-13	317.7	..	25.5	217.0	..	26.7
Jul-14	307.6	..	-3.2	192.3	..	-11.4
Feb-15	284.0	4.2	-15.8	206.7	9.7	-6.5
Mar-15	296.9	4.6	-11.9	209.9	1.5	-2.5
Apr-15	274.9	-7.4	-15.3	191.0	-9.0	-6.9
May-15	261.5	-4.9	-18.0	185.5	-2.9	-8.1
Jun-15	253.4	-3.1	-19.7	191.0	3.0	-4.2
Jul-15	225.1	-11.2	-26.8	178.3	-6.7	-7.3

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2015 year are: Wool 2.8%; Beef 8.9%; Lamb 10.7%; Venison 0.6%; Skins 2.0%; Dairy 47.4%; Apples 1.8%; Kiwifruit 3.6%; Logs 8.2%; Sawn Timber 3.2%; Wood Pulp 2.2%; Seafood 4.9%; Aluminium 3.6%

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